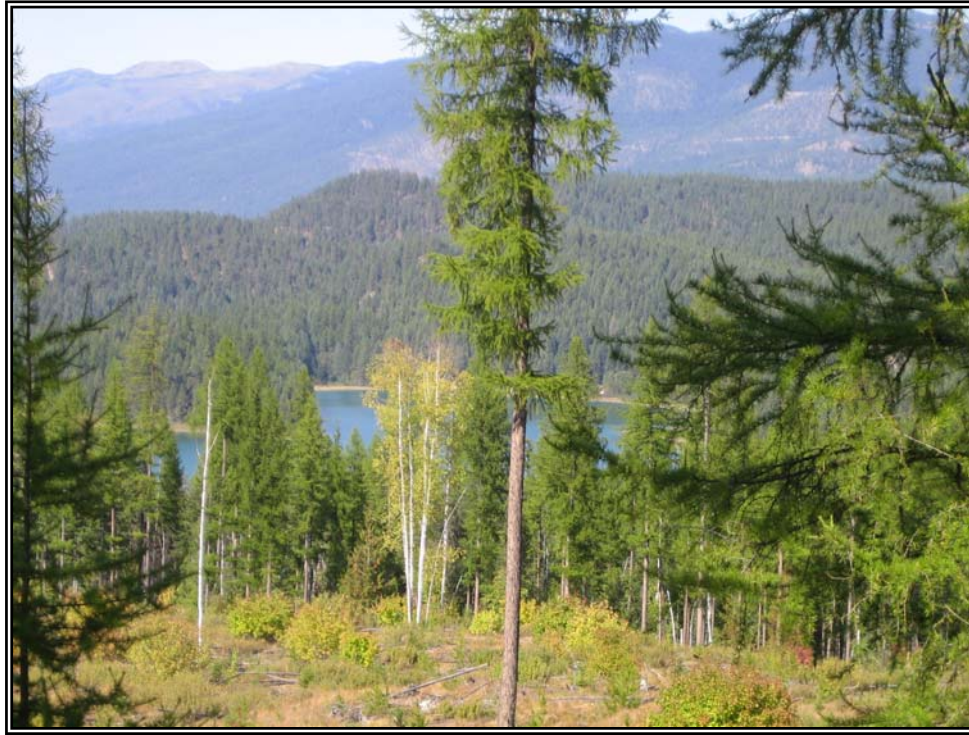


Proposed Goguen Land Exchange

Environmental Assessment



Prepared for:

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INTRODUCTION

This EA discloses the effects of alternatives for the proposed land exchange between Mr. Michael Goguen and the Montana Department of Natural Resources and Conservation (DNRC) under the requirements of the Montana Environmental Policy Act (MEPA). Both the Goguen parcels and the State trust parcel are located in Flathead County northwest of Whitefish, Montana.

This EA consists of the following chapters and key elements:

Chapter 1.0 - Purpose and Need

Chapter 2.0 - Alternatives

Chapter 3.0 - Existing Environment and Environmental Effects

Chapter 4.0 - Findings

Figure 1 - Project Map

Appendix A - Conceptual Build-out of Lupfer Parcel

Appendix B - Public Involvement

Appendix C - Economics Analysis

Appendix D - Individuals Contacted and List of Preparers

Appendix E - References

CHAPTER 1.0 PURPOSE AND NEED

Chapter 1 provides a description of the Proposed Action, background information regarding the proposal, the purpose and need for the exchange, public involvement, agency and permitting requirements and a summary of the decisions to be made by the DNRC.

1.1 Description of Proposed Action

Mr. Michael Goguen (the Proponent) proposes to exchange a total of 599 acres of his private land for 435 acres of State trust land. The State trust land proposed for exchange consists of 435 acres of forest land in Sections 28 and 29 of Township 31 North, Range 22 West in the Stillwater State Forest (known as the *State Trust Parcel*). The Goguen land proposed for exchange consists of three pieces: 569 forested acres in Sections 2, 11 and 12 of Township 31 North, Range 23 West (known as the *Lupfer Parcel*); 30 acres of mixed agricultural/forested land in Section 5 of Township 30 North, Range 22 West (known as the *Highway 93 Parcel*); and one commercial property located at 140 Lupfer Avenue in Whitefish (known as the *Commercial Property*). The Commercial Property is developed with one commercial lease townhouse that was constructed in 2005.

The DNRC would acquire the Lupfer Parcel, Highway 93 Parcel and Commercial Property. The Proponent would acquire the State Trust Parcel.

A map of the parcels proposed in the Goguen land exchange is provided as **Figure 1**.

1.2 Background Information

By the Enabling Act of 1889, the United States Congress granted acreage to the state of Montana for the support of Common Schools (K-12 public schools) and other educational and state institutions, including the Montana University System. These lands are known as “school trust lands” or “trust lands” and are managed by the DNRC. The DNRC manages school trust lands to produce revenues for the trust land beneficiaries while protecting natural resources and the future income potential of the trust lands. As of 2007, the DNRC maintained stewardship of 5.1 million surface acres of trust land in Montana.

As part of its ongoing management of these trust lands, the DNRC was part of the planning activities for the Whitefish School Trust Lands Neighborhood Plan (WNP). Local citizens petitioned the State Board of Land Commissioners (Land Board) to charter a committee comprised of Whitefish citizens working in collaboration with the DNRC to develop the WNP in order to represent the needs and values of the community. The result was a land-use plan for the 13,000 acres of trust lands surrounding Whitefish that would provide increased revenue for the beneficiaries of the school trusts while maintaining the economic, environmental, and cultural vitality of Whitefish and the surrounding areas. The WNP was approved in 1994. The parcel of State property proposed for exchange is located within the Beaver/Skyles subarea of the WNP (WNP 1994). Included in the implementation phase of the WNP is the establishment of a

recreation trail interconnecting trust lands and looping around Whitefish Lake and the city itself. Conceptual trail locations have included a main trail segment in the trust parcel and one of the private parcels (Lupfer Parcel) proposed for exchange by Mr. Goguen.

1.2.1 History of the Proposed Action

In 2006, Mr. Michael Goguen of Whitefish approached the DNRC with a proposal to exchange one 569-acre parcel of his private land on Lupfer Road northwest of Whitefish (known as the *Lupfer Parcel*) for one 435-acre parcel of State Trust land managed by the DNRC northwest of Whitefish (known as the *State Trust parcel*) (**Figure 1**). The purpose of the proposed land exchange was to 1) allow Mr. Goguen to consolidate his holdings, 2) bring greater benefits to the State Trust and its beneficiaries, and 3) meet the goals stated in the WNP.

The official application for the Goguen land exchange was officially submitted to the DNRC in February 2007. The approval to proceed with further analysis was granted by the Montana Land Board on March 19, 2007. Following an initial appraisal of the Lupfer Parcel and the State Trust Parcel (completed August 2007) and prior to the official scoping period for the Goguen land exchange, two additional parcels were added to the proposed exchange by Mr. Goguen: a 30-acre parcel on Highway 93 west of Whitefish (Highway 93 Parcel) and a commercial lease property in downtown Whitefish (Commercial Property).

Another appraisal was conducted in March 2008 of the Goguen lands that included a hypothetical subdivision of the Lupfer Parcel with infrastructure improvements; however, this subdivision was not at that time a defined element of the Goguen land exchange proposal. When the appraisal indicated that the value of the parcels offered by Mr. Goguen were not of equal or greater value relative to the State Trust parcel without subdivision and improvement of the Lupfer Parcel, Mr. Goguen agreed to officially propose to subdivide the Lupfer Parcel into three residential lots to increase the value that could be gained by the State as a result of the exchange. He also proposed to construct the roads, driveways and utilities to the parcels.

The most recent appraisal of the Lupfer Parcel and the State Trust parcel, completed on October 14, 2008, included the official proposal to subdivide and improve the Lupfer Parcel. This appraisal confirmed that the overall value of the holdings that the State would receive (Lupfer Parcel, Highway 93 Parcel and Commercial Property) would be higher than those that the State would dispose of (State Trust Parcel). Additionally, the Proponent committed to ensuring that the State received net lease revenue of at least \$30,000 per year for ten years from the Commercial Property.

1.3 Purpose and Need of the Proposed Action

The purpose of the proposed land exchange is to enhance the Proponent's land holdings, increase the value of trust lands to beneficiaries while providing for the implementation of the WNP.

The Whitefish area has become one of the most desirable locations for development in the state and land has become very valuable and difficult to acquire. The proposed land exchange would provide a key land transaction in the implementation of the WNP.

1.4 Area Description

All of the parcels proposed for exchange are located in Flathead County northwest of Whitefish, Montana (**Figure 1**). The city of Whitefish has approximately 5,000 residents and is a popular destination for tourists visiting Whitefish Mountain Resort, Glacier National Park and the surrounding areas. Tourism is primarily recreational in nature. The area surrounding Whitefish has very high recreational value to local residents and visitors alike. This area varies from steep, forested hills to flat meadows in the valleys.

The lands proposed for exchange are all located within six miles of Whitefish. Within this radius are many surface water resources including the Stillwater River, Whitefish Lake, Murray Lake, Beaver Lake and Skyles Lake.

1.5 Relevant Projects and Plans

The Real Estate Management Plan (REMP), the State Forest Land Management Plan (SFLMP), and the WNP make up the primary framework within which management decisions are made regarding the parcels proposed for exchange. Discussion regarding each of these plans' applicability to the proposal is provided below.

Real Estate Management Plan (REMP)

The REMP is the guiding management philosophy of the DNRC Real Estate Management Bureau and embodies three general goals: (1) sharing in expected community growth; (2) planning proactively; and (3) increasing revenue for trust beneficiaries.

State Forest Land Management Plan (SFLMP)

Because the majority of the lands on which the proposed land exchange is being considered are timber lands, the impacts to the Forest Management program of these lands (including timber production) will be considered, i.e.:

- Shifting of management objectives to reflect formalized recreational use;
- Value and condition of timber stands on all parcels considered for exchange;
- Limitations on forest management implicit with easements and plans associated with the property involved;

- Legal access and existing road system to access the timber;
- Increased public awareness/acceptance of forest management activities;
- Net change of acreage available for timber production; and
- Any other impacts identified during scoping and review.

A timber management plan specific to the Lupfer Parcel has been drafted (Northwest Management 2008). The DNRC would adhere to these guidelines in their management activities.

Whitefish Neighborhood Plan (WNP)

The WNP is consistent with and reflective of the REMP goals and addresses them within the context of a more detailed community discussion. The proposed land exchange is the implementation of a major component of the WNP.

The project area is located in the Beaver Lakes/Skyles subarea of the WNP. This subarea has specific concepts and implementation strategies that apply to the Proposed Action.

1.6 Public Involvement

Mr. Goguen first proposed the land exchange to the DNRC in a Letter of Intent dated June 17, 2006. An open house was held by the DNRC on August 30, 2006 that presented the proposed Goguen land exchange in conjunction with two other land use proposals under consideration: the *Trail Runs Through It* (Proponents: City of Whitefish and Flathead Gateway Partners) and Britell's Point of Pines subdivision sanitation system and access (proponents: private landowners). The three proposals were presented together as part of a Project Coordination under the WNP. Public comment for the three land use proposals was solicited in a public comment period from August 30 through September 13, 2006.

The original application for the Goguen land exchange was officially submitted to the DNRC in February 2007. At this time, the proposed Goguen land exchange involved only two parcels: the Lupfer Parcel (Goguen) and the State Trust Parcel (State). Based on two subsequent appraisals of the parcels proposed for exchange, several additions were made to the proposal including the Highway 93 Parcel and the Commercial Property (**Section 1.2.1**).

Scoping Period

Public comment related specifically to the Goguen land exchange was solicited in a scoping period from December 16, 2007 through January 19, 2008 and included:

- Posting of the scoping letter on the DNRC website from December 13, 2007 to present;
- Legal notice in the Whitefish Pilot on December 20 and December 27, 2007;

- Legal notice in the Daily Interlake on December 16, December 19, December 23 and December 26, 2007;
- Scoping letter mailed to approximately 180 interested parties on December 20, 2007 (**Appendix B**); and
- A clarification letter and map mailed to the same interested parties on December 21, 2007.

Thirty responses were received. A summary of the responses is provided in **Appendix B**. Issues for further analysis that were identified through agency review and the public scoping period are discussed in **Section 2.2.1**.

Update to the Public

The proposed Goguen land exchange underwent several refinements since the DNRC had originally presented the proposal to the public during the scoping period. Therefore, the DNRC issued an update in which they presented the evolution of the proposal and solicited additional public comment. That additional public comment period was conducted from October 26 through November 24, 2008 and included:

- A website (www.goguenexchangeproposal.com) that provided a description of the Goguen proposed land exchange, the history of the proposal, issues and concerns identified to date and a summary of the tasks that still needed to be completed. The website also included a comment form to submit comments electronically;
- Notification of the public comment period and website to parties that responded to the original scoping comment request (December 20, 2007);
- Legal notice in the Whitefish Pilot on October 30 and November 6, 2008; and
- Legal notice in the Daily Interlake on October 26 and November 2, 2008.

The website received approximately 400 “hits” during this comment period. Eighteen responses were received. A summary of the responses is provided in **Appendix B**. Issues identified for further analysis through agency review and the public comment period are discussed in **Section 2.2.1**.

Official Public Hearing

An official public hearing regarding the proposed Goguen land exchange was held in Kalispell, Montana on December 1, 2008. There were ten attendees from the public. Twelve comments were recorded for the public record; all of these comments expressed support for the Proposed Action.

The DNRC will make a recommendation to the Montana Land Board based on the results of this EA. There will be one final opportunity for the public to comment on this proposal at the Land Board meeting on December 15, 2008 in Helena, Montana.

1.7 Agencies with Jurisdiction and Coordination Requirements

DNRC has full jurisdiction over the Proposed Action. However, DNRC is consulting with the City of Whitefish and Flathead County to ensure that the proposed action conforms to the WNP. The USFS has been kept informed of the project as proposed trail construction would direct the public to USFS ownership.

1.8 Applicable Permits, Licenses or Entitlements

Flathead County permits may be required for the construction of the roads, driveways and utilities to the Lupfer Parcel. The Proposed Action does not include any other activities that require local, State or Federal permits or licenses.

1.9 Agency Decisions to be Made

MEPA requires that an environmental analysis include the following decisions:

- Selection of an alternative
- Determination that no significant impacts would occur and the rationale why they would not occur
- Determination that an Environmental Impact Statement (EIS) does not need to be prepared

For this analysis, Robert L. Sandman, Area Manager with the Northwestern Land Office (NWLO) is the responsible official for the State of Montana. If Mr. Sandman selects Alternative B (Proposed Land Exchange), his recommendation will be submitted to the State Land Board and they will make the final determination as to whether the State would implement the selected alternative.

This decision will be made based on three primary objectives summarized below.

1.9.1 Adherence to local plans and goals

The Proposed Action should meet or exceed the goals and policies of the REMP, FLMP and WNP. The Proposed Action should meet or exceed the concepts and implementation strategies of the Beaver Lakes/Skyles subarea of the WNP.

1.9.2 Montana State Land Board Land Exchange Policy Criteria

The Proposed Action must meet the following seven criteria for land exchanges (MBLC 2004):

1. Equal or greater value; land to be acquired by the state must be at least as valuable as the state land being exchanged. The value of the exchanged state lands must be determined by the highest and best use of the lands, not simply the present use.

2. State land bordering on navigable lakes and streams; state lands that border navigable lakes, streams, and other bodies of water with significant public use values may only be exchanged for lands that border similar bodies of water.
3. Equal or greater income to the trust; a land exchange must result in the state receiving equal or greater income for the trust.
4. Equal or greater acreage; exchanged state lands and acquired lands must be, "as closely as possible, equal in area."
5. Consolidation of state lands; a land exchange should be at least neutral in its net effect on the consolidation of state land. The exchange must not further fractionalize state land holdings by creating isolated parcels of state land.
6. Potential for long-term appreciation; the land acquired by the state should be as likely to increase in value or revenue potential as the state land exchanged.
7. Access; a land exchange should not diminish the amount of access to state lands or other public lands. Accessible state land that is proposed for exchange should be replaced with acquired lands that offer similar recreational opportunities.

1.9.3 Necessity for further analysis

This EA will provide a comparison of the direct, indirect and cumulative environmental consequences that may occur as a result of the alternatives. It will also include a disclosure of whether all practical means to avoid or minimize environmental harm were adopted by the alternatives. In the finding for this analysis Mr. Sandman will discuss the significance of impacts to resources involved, provide a statement of which alternative has been selected, and present his conclusion as to whether an EIS must be prepared.

CHAPTER 2.0 ALTERNATIVES INCLUDING THE PROPOSED ACTION

Chapter 2 provides a summary and comparison of the alternatives that are analyzed in this EA as well as a discussion of alternatives that were considered but dismissed. It also provides the relevant resource issues that were identified through agency consultation and public scoping.

2.1 Description of Alternatives

2.1.1 Alternatives Considered But Dismissed

The following alternatives were considered during the planning process for the Proposed Action:

- Land exchange of one Goguen Parcel (Lupfer Parcel) for State Trust parcel and
- Land exchange of two un-improved Goguen Parcels (Lupfer Parcel and Highway 93 Parcel) for State Trust Parcel.

These alternatives were considered but dismissed from further analysis because based on appraisals they did not satisfy the Montana State Land Board land exchange criteria of providing equal or greater value to the trust, and thus did not satisfy the purpose and need of the project.

2.1.2 Alternative A – No Action

Under the No Action alternative, the DNRC would not exchange the State Trust Parcel for the Lupfer Parcel, Highway 93 Parcel and Commercial Property.

The Lupfer Parcel would not be acquired by the State. The conservation easement allowing three home-sites would remain on the parcel; however, future development would be unknown. The Lupfer Parcel would remain private and public access would not be allowed.

The Highway 93 Parcel would remain private grazing land.

The Commercial Property would remain privately-owned.

The State Trust Parcel would remain as timber resource land managed by the DNRC. There would not be a conservation easement placed on the parcel. Future development would be unknown; however, only two home-sites could be developed by the State per the WNP. The public would be allowed non-motorized access via Skyles to Beaver Road. The Road Users Association and the State would be allowed motorized access. The DNRC would continue to work with the *Trail Runs Through It* project.

2.1.3 Alternative A – Proposed Action

Parcels proposed for exchange:

The Proponent proposes to exchange a total of 599 acres of his private land for 435 acres of State trust land. The State trust land proposed for exchange consists of 435 acres of forested land in Sections 28 and 29 of Township 31 North, Range 22 West in the Stillwater State Forest (*State Trust Parcel*). The Goguen land proposed for exchange consists of three pieces: 569 forested acres in Sections 2, 11 and 12 of Township 31 North, Range 23 West (*Lupfer Parcel*); 30 acres of mixed agricultural/forested land in Section 5 of Township 30 North, Range 22 West (*Highway 93 Parcel*); and one commercial property located at 140 Lupfer Avenue in Whitefish (*Commercial Property*). The Commercial Property is developed with one commercial lease townhouse that was constructed in 2005.

The DNRC would acquire the Lupfer Parcel, Highway 93 Parcel and Commercial Property. Mr. Goguen would acquire the State Trust Parcel.

A map of the parcels proposed in the Goguen land exchange is provided as **Figure 1**.

Future management proposed as part of the exchange:

Lupfer Parcel

Three residential parcels could be created by the Proponent as permitted by the terms of the existing conservation easement on the 569 acre Lupfer Parcel: one 32 acre parcel, one 25 acre parcel and one 512 acre parcel. Roads, driveways and utilities to the parcels would be constructed by the Proponent to the standard provided by Flathead County subdivision requirements. The Proponent and the DNRC worked together to create a conceptual build-out of the Lupfer Parcel for the DNRC and public review (**Appendix B**). The two smaller residential parcels would be managed as residential lease lots by the DNRC. The larger parcel would be developed with an approximately 6-mile loop trail and a residential lease site may be established on the larger parcel in the future. The trail, parking area and trailhead would be designed and constructed by the Proponent on this parcel. This trail would be open to public, non-motorized use. Dust-control would be maintained by the Proponent on county-owned Lupfer Road up to the eastern access to the trailhead. Dust control would consist of either application of a dust palliative as needed or paving of this portion of Lupfer Road. The Lupfer Parcel would become open to dispersed, non-motorized public recreation. As stated by the terms of the existing conservation easement, motorized recreation would not be allowed. Timber management under a Forest and Timber Management Plan is allowed under the existing conservation easement.

Highway 93 Parcel

This parcel would benefit public recreation in the Spencer Lake area as a link between two existing State parcels and as an access parcel from Highway 93. Dispersed, non-motorized recreation would be allowed on this parcel. There is no road system in place on this parcel; therefore, motorized access would not be allowed as part of the Proposed Action.

Commercial Property

The Commercial Property would continue to be managed to provide income to the Trust through commercial leases. The Proponent committed to ensuring that the State received net lease revenue of at least \$30,000 per year for ten years from the Commercial Property. During the ten-year period, if the existing lease rate results in less than \$30,000 to the State, the Proponent will make up the difference. If the existing lease rate is greater than \$30,000, the State will be entitled to the additional revenues.

State Trust Parcel

A deed restriction would be placed on the parcel to limit development to a maximum of two home-sites. Mr. Goguen would improve the parcel with a recreational trail corridor. This trail would be designed, constructed and funded by Mr. Goguen and would become part of the *Trail Runs Through It* project. The trail itself would become permanently authorized for the community by the City of Whitefish acquiring a permanent easement. Non-motorized public access would be moved from the Beaver to Skyles Road to the recreational trail corridor. Public access would not be allowed outside the trail corridor on this parcel – dispersed public recreation would no longer be allowed. Motorized public access would remain in place for the Beaver to Skyles Road Users Association and their assigns.

2.2 Relevant Resource Issues

Relevant resource issues for the proposed Goguen land exchange were identified after analysis of public comments during a scoping period, public update comment period, public hearing and consultation with appropriate local and State agencies. These relevant issues are identified in **Table 2-1** and will be evaluated in detail in this EA.

Table 2-1 *Relevant Issues*

Resource	Issue(s)	Where Addressed in EA
Access and Transportation	How will public access be affected? The Lupfer Road is substandard and can not handle additional traffic	Section 3.8
Air quality	The additional vehicle traffic on the Lupfer Road will exacerbate the dust problem.	Section 3.3
Cultural Resources	Are there historic stills or other cultural resources on any of the parcels?	Section 3.6
Economics	The land exchange must be to the economic advantage of the State and the School Trust, now and in the future.	Section 3.9
Geology/Minerals	What portion of the mineral estate will the State acquire?	Section 3.1
Health and Safety	The additional traffic will increase hazards to pedestrians, bicyclists and motorists on the Lupfer Road.	Section 3.8
Impacts to Housing	Residents of the Elkhorn subdivision may experience noise and trespassers from the trail.	Section 3.7
Recreation	Will this exchange create new recreational opportunities that are valuable to the public?	Section 3.7
Vegetation/Timber	How much timber volume would the State acquire versus give away?	Section 3.4
Wildlife	There is a valuable deer winter range on portions of the State Trust Parcel that may be impacted by recreationists.	Section 3.5

CHAPTER 3.0 EXISTING ENVIRONMENT AND ENVIRONMENTAL CONSEQUENCES

Chapter 3 includes the analysis of the existing environment associated with the parcels involved in the proposed exchange and a summary of the consequences of the alternatives on the existing environment. The Commercial Property is only analyzed under **Section 3.3**, Air Quality, **Section 3.6**, Cultural Resources and **Section 3.9**, Economics. The other resources included in this chapter are not relevant to the Commercial Property.

A summary comparison of the alternatives is provided in **Table 3-1**.

Table 3-1 Comparison of Alternatives

Issue	Effects of Alternative A (No Action)	Effects of Alternative B (Proposed Action)
Soils and Geology	None	None
Water Resources	None	None
Air Quality	Continued dust problem on Lupfer Road	Dust palliative maintained by Proponent
Vegetation	State Trust Parcel: 2,390 Mbf could be harvested by DNRC	Lupfer Parcel: 2,224 Mbf could be harvested by DNRC Highway 93 Parcel: 53 Mbf could be harvested by DNRC
Wildlife	Lupfer Parcel: Potential gray wolf interactions with three home-sites	Lupfer Parcel: Potential gray wolf interactions with three home-sites State Trust Parcel: Potential impacts to fisher habitat
Cultural Resources	None	None
Public Access and Recreation	Non-motorized public access on 435 acres No motorized public access	Construction of loop trail as part of <i>Trail Runs Through It</i> . Non-motorized public access on 599 acres, non-motorized public access on trail corridor only through 435 acres. No motorized public access.
Transportation	No changes to traffic No improvement to roadways	Potential increase in traffic Maintenance of dust palliative on Lupfer Road; no other improvements proposed at this time.
Economics	State retains State Trust Parcel valued at \$5,550,000 with a return of 4.39% over 60 years	State acquires land and property valued at \$5,590,000 with a return of 7.37% (average) but disposes of lands valued at \$5,550,000 with a return of 4.39% over 60 years

3.1 Soils and Geology

3.1.1 Existing Environment

Soils

Lupfer Parcel

The soils associated with the Lupfer Parcel primarily consist of gravelly silt loams that form hilly and mountain slopes (Soil Map Units 23-7 and 23-8). The parent material of these soils is glacial till and material derived from metasedimentary rocks. These soils have low to moderate compaction potential. Wetlands on the Lupfer Parcel are formed in organic muck in closed depressions (Soil Map Unit 12) (Natural Resources Conservation Service (NRCS) 2008). These soils are not unusually fragile, compactable or unstable.

Highway 93 Parcel

The soils associated with the Highway 93 Parcel consist of alluvial soils (Soil Map Unit Aa) and silty to silty clay loams (Soil Map Units De and Ha). The alluvial soils are typical of relatively flat floodplain deposits and are frequently flooded. The silty to silty clay loams were formed from glacial lake deposits and form well-drained terraces (NRCS 2008). These soils are not unusually fragile, compactable or unstable.

State Trust Parcel

The soils associated with the State Trust Parcel primarily consist of gravelly silt loams that form hilly and mountain slopes (Soil Map Unit 23-8). This soil has low to moderate compaction potential. The parent material of these soils is glacial till and material derived from metasedimentary rocks. Glaciated rock outcrops are present on higher elevation areas (Soil Map Unit 55) (NRCS 2008). These soils are not unusually fragile, compactable or unstable.

Minerals

The complete mineral estate has not been fully appraised for the parcels involved in the proposed exchange. The Proponent owns the complete mineral estate on the Highway 93 Parcel, but only owns a part of the mineral estate on the Lupfer Parcel.

If the DNRC decides to exchange mineral rights in addition to the surface rights those mineral rights must be exchanged under an equal valuation process.

3.1.2 Environmental Consequences

3.1.2.1 No Action Alternative

No direct, indirect, or cumulative effects to soil or minerals are anticipated because of the No Action Alternative. No special reclamation needs on any of the parcels have been identified as part of this alternative.

3.1.2.2 Proposed Action Alternative

Lupfer Parcel

According to the conceptual build-out (**Appendix A**), three residential parcels could be created by the Proponent as permitted by the terms of the existing conservation easement on the 569 acre Lupfer Parcel. The development of these home-sites would not result in direct, indirect or cumulative effects to soil as a result of the Proposed Action. Because the mineral rights on this parcel are owned by several entities, the mineral rights would not be exchanged and would remain under the current ownership.

Highway 93 Parcel

There would be no direct, indirect or cumulative effects to soil as a result of the Proposed Action. The mineral rights associated with the Highway 93 Parcel could be exchanged with an equal value of mineral rights from the State Trust Parcel. A mineral appraisal would be conducted to ensure the value of the mineral rights being exchanged between the Proponent and the DNRC is equal.

State Trust Parcel

There would be no direct, indirect or cumulative effects to soil as a result of the Proposed Action. The mineral rights associated with the Highway 93 parcel could be exchanged with an equal value of mineral rights from the State Trust Parcel. A mineral appraisal would be conducted to ensure the value of the mineral rights being exchanged between the Proponent and the DNRC is equal.

3.2 Water Resources

3.2.1 Existing Environment

There are no perennial, intermittent or ephemeral streams on or bordering any of the parcels included in the proposed land exchange. There are no lakes within any of the parcels; however, wetland areas are located on the Lupfer Parcel. Groundwater is expected to be found in both fractured bedrock (higher elevation areas) and in sand and gravel lenses inter-bedded with silt and clay (lower elevations) (Patton et al 2003).

Lupfer Parcel

Six wetlands totaling fifteen acres are located on the Lupfer Parcel. These wetlands are associated with closed depressions that contain standing water and associated wetland vegetation (Asebrook 2005). These wetlands are not connected to a Water of the U.S. (WOUS); therefore, they are considered isolated and would not be under the jurisdiction of the U.S. Army Corps of Engineers (USACE). However, an official USACE jurisdictional determination has not been made for these wetlands.

Highway 93 Parcel

The Highway 93 parcel experiences seasonal high groundwater conditions and is subject to flooding (Manning pers. comm. 2008).

State Trust Parcel

There are no known wetlands on the State Trust Parcel.

3.2.2 Environmental Consequences

3.2.2.1 No Action Alternative

There would be no direct or cumulative effects to Water Resources as a result of the No Action alternative. The Lupfer Parcel would remain privately-owned and under a conservation easement. It could only be developed with a maximum of three home-sites. Timber management would be allowed and could result in indirect effects by raising the depth of the existing water table. Additionally, exposed soil surfaces following a harvest could increase sedimentation associated with the wetlands identified on the Lupfer Parcel.

The Highway 93 Parcel would remain under private ownership. Future use of this parcel is unknown and is beyond the scope of this analysis. The State Trust Parcel would remain under DNRC management and would continue to be managed for timber and recreation. Timber management would be allowed and could result in indirect effects by raising the depth of the existing water table.

3.2.2.2 Proposed Action Alternative

There would be no direct or cumulative effects to Water Resources as a result of the Proposed Action.

Lupfer Parcel

This parcel would come under the management of the DNRC but would remain under a conservation easement. According to the conceptual build-out (**Appendix A**), three residential parcels could be created by the Proponent as permitted by the terms of the existing conservation easement on the 569 acre Lupfer Parcel. These parcels would be managed as residential lease lots and would be developed with individual groundwater wells and permitted septic systems. None of these parcels include wetland areas. Timber harvest would be allowed under the terms of the existing conservation easement which could result in indirect effects by raising the depth of the existing water table.

Highway 93 Parcel

The Highway 93 parcel would be used for non-motorized access to adjacent State land. It would not be developed. Approximately five acres of timber could be harvested from this parcel. Timber harvest could result in indirect effects by raising the depth of the existing water table.

State Trust Parcel

The Proponent may develop up to two home-sites on this parcel under the terms of a deed restriction that would be placed on the State Trust Parcel. If developed, these home-sites would likely require individual groundwater wells and permitted septic systems. It is unknown whether the Proponent would choose to harvest the timber on the State Trust Parcel.

3.3 Air Quality

3.3.1 Existing Environment

The proposed project area is not located in a Class I airshed. The city of Whitefish is a designated non-attainment area for particulate matter (PM₁₀) (DEQ 2005). The only proposed exchange parcel that is located within the boundaries of the Whitefish non-attainment area is the Commercial Property (NRIS 1998). Information gathered during scoping indicates that there is an existing problem with airborne dust associated with Lupfer Road that borders the Lupfer Parcel (**Appendix B**) (**Figure 1**).

3.3.2 Environmental Consequences

3.3.2.1 No Action Alternative

There would be no reduction in road dust on Lupfer Road under the No Action alternative. Road dust would continue to impact air quality for Lupfer Road residents and road users.

3.3.2.2 Proposed Action Alternative

The Proponent has committed to reduce road dust on the Lupfer Road as a part of the Proposed Action, improving air quality for Lupfer Road residents and road users. Dust palliative would be applied as needed on the portion of Lupfer Road from Highway 93 to the entrance road to the proposed trailhead. There would be no other direct, indirect or cumulative impacts to air quality as a result of the Proposed Action.

3.4 **Vegetation**

3.4.1 Existing Environment

Lupfer Parcel

Vegetation overview

Six upland habitat types occur on the Lupfer Parcel: subalpine fir/queencup beadlily (*Clintonia uniflora*), grand fir/queencup beadlily, Douglas-fir/dwarf huckleberry (*Vaccinium caespitosum*), two phases of Douglas-fir/snowberry (*Symphoricarpos albus*) and the Engelmann spruce/dwarf huckleberry habitat type. The overstory is dominated by the forest species Douglas- fir (*Pseudotsuga menziesii*), lodgepole pine (*Pinus contorta*), western larch (*Larix occidentalis*), grand fir (*Abies grandis*), subalpine fir (*Abies lasiocarpa*) and less commonly Engelmann spruce (*Picea engelmannii*). The understory is dominated by low-growing shrubs and herbaceous species, including snowberry, dwarf huckleberry, kinnikinnick (*Arctostaphylos uva-ursi*), pinegrass (*Calamagrostis rubescens*), Oregon grape (*Mahonia repens*) and buffaloberry (*Shepherdia canadensis*). Wetland habitats include the reed canarygrass, beaked sedge, cattail and Engelmann spruce/common horsetail habitat types (Asebrook 2005).

Timber

The Lupfer Parcel has been exclusively managed for timber harvest since the 1930s (Asebrook 2005). Currently, there is an estimated total net timber volume of 2,224 million board feet (Mbf) and a residual volume of 1,530 Mbf. Residual volume is assumed to be the volume that is not accounted for in the appraisal of land values (DNRC 2008a, DNRC 2008b).

Grazing

Grazing has not occurred on the Lupfer parcel based on available information (Asebrook 2005).

Noxious weeds

There is generally low weed cover on the Lupfer Parcel, with higher concentrations of weeds located along road edges. Noxious weeds located on this parcel include spotted knapweed, oxeye daisy, Canada thistle, common tansy, houndstongue, St. John's wort and tansy ragwort (Asebrook 2005).

Threatened, Endangered and Sensitive Plant Species

There are no Threatened, Endangered or Sensitive plant species known to occur or with the potential to occur on the Lupfer Parcel (MNHP 2008).

Highway 93 Parcel

Vegetation overview

Approximately five acres of the Highway 93 parcel is forested and the remainder is pasture land. The forested portion consists of an overstory of western larch, lodgepole pine and Engelmann spruce (DNRC 2008a, DNRC 2008b). The pasture community consists of a mixture of native and non-native grass species, including fescue (*Festuca* sp.), wheatgrass (*Agropyron* sp.) and brome (*Bromus* sp.).

Timber

The Highway 93 Parcel has an estimated total net volume of 53 Mbf and a residual volume of 45 Mbf on the five forested acres (DNRC 2008a, DNRC 2008b).

Grazing

There is no grazing currently on the Highway 93 parcel.

Noxious weeds

There is a low cover of weeds along the edge of Highway 93. Noxious weeds include spotted knapweed, Canada thistle and houndstongue.

Threatened, Endangered and Sensitive Plant Species

There are no Threatened, Endangered or Sensitive plant species known to occur or with the potential to occur on the Highway 93 Parcel (MNHP 2008).

State Trust Parcel

Vegetation overview

The overstory is dominated by the forest species Douglas-fir, Engelmann spruce, lodgepole pine and western larch with occasional grand fir, red cedar and white pine (*Pinus monticola*) (DNRC 2008). The understory includes low-growing shrubs and herbaceous species, including snowberry, dwarf huckleberry, kinnikinnick, pinegrass, Oregon grape and buffaloberry.

Timber

The State Trust Parcel has an estimated total net volume of 2,390 Mbf and a residual volume of 2,023 Mbf (DNRC 2008a, DNRC 2008b).

Grazing

There are no current grazing leases on the State Trust Parcel (Manning pers. comm. 2008).

Noxious weeds

Scattered populations of spotted knapweed and St. John's wort are located along road edges (DNRC 1998). Generally, the State Trust Parcel has a low cover of noxious weeds.

Threatened, Endangered and Sensitive Plant Species

There are no Threatened, Endangered or Sensitive plant species known to occur or with the potential to occur on the State Trust Parcel (MNHP 2008).

3.4.2 Environmental Consequences

3.4.2.1 No Action Alternative

Lupfer Parcel

The parcel would remain privately owned and up to approximately 2,224 Mbf of timber could not be harvested by the State. It is unknown whether the Proponent would harvest this timber. The parcel could be developed with up to three home-sites.

Highway 93 Parcel

The parcel would remain privately owned and up to approximately 53Mbf of timber could not be harvested by the State. It is unknown whether the Proponent would harvest this timber. Future development of this parcel by the Proponent would be unknown.

State Trust Parcel

Up to approximately 2,390 Mbf of timber could be harvested from this parcel by the State as part of their timber management program.

3.4.2.2 Proposed Action Alternative

Lupfer Parcel

There could be three residential lease parcels on the Lupfer Parcel. The remainder of the parcel would be managed for timber and recreation. The DNRC would manage approximately 543 acres of the property for timber production. Of this, 473 acres would be harvested through commercial thinning in 20 years, and again in 40 years. Each harvest would utilize the single-tree selection method with the intent of creating a forest comprised of multiple age and size classes (or multiple age stands within the forest) focused towards a mature sustainable forest. The DNRC would leave 70 acres unharvested for 60 years to encourage the development of a mature timber stand (Northwest Management 2008). Up to approximately 2,224 Mbf of timber could be harvested from this parcel by the State as part of their timber management. There is the potential for an increase in noxious weeds on this parcel due to increased recreational activity.

Highway 93 Parcel

Up to approximately 53Mbf of timber could be harvested from this parcel by the State as part of their timber management. There is the potential for an increase in noxious weeds on this parcel due to increased recreational activity.

State Trust Parcel

The State would lose harvest rights to approximately 2,390 Mbf of timber on this parcel. It is unknown whether the Proponent would harvest this timber. The parcel could be developed with up to two home-sites.

3.5 Wildlife

3.5.1 Existing Environment

Lupfer Parcel

Species that occur as residents or transient residents include white-tailed and mule deer, elk, coyote, black bear, moose, and a large variety of birds and small mammals. The Lupfer Parcel is not located within mapped mule deer, white-tailed deer, elk or moose winter range (Conservation Partners Inc. et al 2004). There is no fish habitat on the Lupfer Parcel.

Five threatened, endangered, or sensitive animal species have been identified as occurring or having the potential to be present on the Lupfer Parcel including gray wolf, Canada lynx, wolverine, fisher and bald eagle (MNHP 2008).

Gray wolf

The gray wolf exhibits no particular habitat preference in Montana except for the presence of native ungulates within its territory on a year round basis. Wolves in Montana have demonstrated a greater tolerance of human presence than previously thought (FWP 2008). The Lupfer Parcel is located within the home range of the Lazy Creek wolf pack and there have been wolf observations on this parcel (Schairer pers. comm. 2008).

Canada lynx

The mountain ranges of the Northern Continental Divide have relatively continuous habitat for the Canada lynx (MNHP 2007). Their habitat includes boreal forest (generally above 4,000 feet elevation) with large woody debris, suitable habitat for their primary prey, snowshoe hare and protection from human disturbance (FWP 2008). The Lupfer Parcel lies within an area of designated core lynx habitat (USFS 2007); however, the lower elevation, human activity in the area and level of disturbance on the Lupfer Parcel do not constitute ideal lynx habitat conditions. It is unlikely that lynx utilize the Lupfer Parcel (Schairer pers. comm. 2008).

Wolverine

Wolverines are limited to alpine tundra and boreal and mountain coniferous forests in western Montana, especially large and remote wilderness areas. Riparian areas may be important winter habitat (FWP 2008). The mountain ranges of the Northern Continental Divide have relatively continuous habitat for the wolverine (MNHP 2007). Based on the level of human activity in the area and the level of disturbance, it does not constitute ideal wolverine habitat. It is unlikely that wolverine utilize the Lupfer Parcel (Schairer pers. comm. 2008).

Fisher

The mountain ranges of the Northern Continental Divide have relatively continuous habitat for the fisher (MNHP 2007). Fishers occur primarily in dense coniferous or mixed forests. They commonly use hardwood stands in summer but prefer coniferous or mixed forests in winter and avoid open areas. Optimal conditions for fishers are forest tracts of 245 acres or more, interconnected with other large areas of suitable habitat. Preferable fisher habitat includes a diversity of tree shapes and sizes, understory vegetation, snags and fallen limbs and trees, and tree limbs close to the ground (FWP 2008). There have not been any fisher observations in the area of the Lupfer Parcel; however, some use of this parcel by fisher is possible (Schairer pers. comm. 2008).

Bald eagle

The “Farm to Market” bald eagle nest is located north of the intersection of Farm to Market Road and Highway 93 approximately ¼ mile west of the Lupfer Parcel. This nest was last active in 2004. Some existing disturbance to this nest from a local residence and agricultural operations is possible. An additional bald eagle nest is located approximately 1.25 miles south of the Lupfer Parcel. This nest has not been active in the last two or so years (Schairer pers. comm. 2008).

Highway 93 Parcel

Species that occur as residents or transient residents include white-tailed and mule deer, elk, coyote, black bear, moose, and a large variety of birds and small mammals. The Highway 93 Parcel is located within mapped white-tailed deer and moose winter range. It is not included in the winter range of elk or mule deer . There is no fish habitat on the Highway 93 Parcel.

Gray wolf

The gray wolf is the only threatened, endangered or sensitive species that has been identified as occurring or having the potential to be present on the Highway 93 Parcel (MNHP 2007). The gray wolf exhibits no particular habitat preference in Montana except for the presence of native ungulates within its territory on a year round basis. Wolves in Montana have demonstrated a greater tolerance of human presence than previously thought (FWP 2008). There is no known or potential use by wolf on this parcel (Schairer pers. comm. 2008).

State Trust Parcel

Species that occur as residents or transient residents include white-tailed and mule deer, elk, coyote, black bear, moose, and a large variety of birds and small mammals. The State Trust Parcel is located within mapped mule deer, white-tailed deer and elk winter range. It is not included in moose winter range. There is no fish habitat on the State Trust Parcel.

Four threatened, endangered, or sensitive animal species have been identified as occurring or having the potential to be present on the Lupfer Parcel including gray wolf, Canada lynx, wolverine and fisher (MNHP 2007). The bald eagle may also occasionally be present on the State Trust Parcel (Schairer pers. comm. 2008).

Gray wolf

The gray wolf exhibits no particular habitat preference in Montana except for the presence of native ungulates within its territory on a year round basis. Wolves in Montana have demonstrated a greater tolerance of human presence than previously thought (FWP 2008). The State Trust Parcel does not have any known wolf activity;

however, it is possible that incidental wolf activity may occur (Schairer pers. comm. 2008).

Canada lynx

The mountain ranges of the Northern Continental Divide have relatively continuous habitat for the Canada lynx (MNHP 2007). Their habitat includes boreal forest (generally above 4,000 feet elevation) with large woody debris, suitable habitat for their primary prey, snowshoe hare and protection from human disturbance (FWP 2008). The State Trust Parcel lies within an area of designated core lynx habitat (USFS 2007). DNRC internal mapping does not identify appropriate lynx habitat on this parcel and use by lynx is unlikely (Schairer pers. comm. 2008).

Wolverine

The mountain ranges of the Northern Continental Divide have relatively continuous habitat for the wolverine (MNHP 2007). Wolverines are limited to alpine tundra and boreal and mountain coniferous forests in western Montana, especially large and remote wilderness areas. Riparian areas may be important winter habitat (FWP 2008). Based on the level of human activity in the area and the level of disturbance, it does not constitute ideal wolverine habitat. It is unlikely that wolverine utilize the Lupfer Parcel (Schairer pers. comm. 2008).

Fisher

The mountain ranges of the Northern Continental Divide have relatively continuous habitat for the fisher (MNHP 2007). Fishers occur primarily in dense coniferous or mixed forests. They commonly use hardwood stands in summer but prefer coniferous or mixed forests in winter and avoid open areas. Optimal conditions for fishers are forest tracts of 245 acres or more, interconnected with other large areas of suitable habitat. Preferable fisher habitat includes a diversity of tree shapes and sizes, understory vegetation, snags and fallen limbs and trees, and tree limbs close to the ground (FWP 2008). Approximately 50% of the State Trust Parcel is in cover types appropriate for fisher and fisher use is possible on this parcel (Schairer pers. comm. 2008).

Bald eagle

The State Trust Parcel may be within the home range of the bald eagle nests located along Farm to Market Road (Schairer pers. comm. 2008).

3.5.2 Environmental Consequences

3.5.2.1 No Action Alternative

Lupfer Parcel

A maximum of three home-sites could be developed by the Proponent. Under the No Action Alternative, limited home development on the Lupfer Parcel may increase the potential for conflict between wolves and homeowners, and/or domesticated animals (livestock, horses, dogs, cats, etc.). Development may remove a small amount of potential fisher habitat on the Lupfer Parcel.

Highway 93 Parcel

This parcel would remain under private ownership and future development is unknown. Based on current uses, there would be no impact to wildlife as a result of the No Action alternative.

State Trust Parcel

The State would continue to manage the parcel for timber and recreation. Approximately 50% of the State Trust Parcel is considered to be in cover types that are appropriate for fisher habitat. Future timber harvest may have an impact on fisher habitat on this parcel.

3.5.2.2 Proposed Action Alternative

Lupfer Parcel

Three home-sites could be developed under the Proposed Action. Dispersed recreation would be allowed and a trail would be constructed that would encourage non-motorized recreation. It is unlikely that these uses under the Proposed Action would negatively affect species such as white-tailed and mule deer, elk, coyote, black bear, moose and small mammals that may inhabit this parcel.

Home development and increased recreational opportunity would increase the chance of conflicts between wolves and residential lessees and or domesticated animals (horses, dogs, cats etc.). Timber harvest may disturb potential fisher habitat on this parcel. The bald eagle nest site located within 0.25 mile of the Lupfer parcel has been vacant since 2004 and is already potentially impacted by residential and agricultural activity. The Lupfer Parcel is considered to be within the home range of the bald eagle nest located 1.25 mile south (BOR 1994). This nest has not been occupied recently; however, it is unlikely that the limited residential development and recreational activity would impact bald eagles occupying this nest in the future.

Highway 93 Parcel

This parcel would remain undeveloped under the Proposed Action and would receive light recreational use for those accessing State lands beyond this parcel. There would be no anticipated impacts to wildlife on this parcel as a result of the Proposed Action.

State Trust Parcel

Two home-sites would be allowed under the Proposed Action. Recreation would be allowed but would be limited to a trail that would be constructed as part of the Proposed Action. This trail would not be maintained or groomed during the winter and would primarily be used in the spring, summer and fall. It is unlikely that these uses under the Proposed Action would negatively affect species such as white-tailed and mule deer, elk, coyote, black bear, moose and small mammals that may inhabit this parcel.

Under the Proposed Action, limited home-site development on the State Trust Parcel may increase the potential for conflict between wolves and homeowners, and/or domesticated animals (livestock, horses, dogs, cats, etc.). Approximately 50% of the State Trust Parcel is considered to be in cover types that are appropriate for fisher habitat. Development may remove a small amount of potential fisher habitat on the State Trust Parcel.

The State Trust Parcel may be within the home range of the bald eagle nest located near the intersection of Farm to Market Road and Highway 93. This nest has not been occupied recently; however, it is unlikely that the limited residential development and recreational activity would impact bald eagles occupying this nest in the future.

3.6 Cultural Resources

3.6.1 Existing Environment

Lupfer Parcel

There is one previously recorded historic feature on the Lupfer parcel: an historic railroad forms the west and south boundaries of the parcel (Murdo 2007). This railroad is currently active.

Highway 93 Parcel

There were no cultural sites or historic features identified on the Highway 93 Parcel (Murdo 2008).

Commercial Property

There were no cultural sites or historic features identified on the Commercial Property (Murdo 2008). The Commercial property is not located within an historic district of Whitefish (Murdo pers. comm. 2008).

State Trust Parcel

The DNRC staff archaeologist inventoried the State Trust Parcel in August of 2007. No cultural or paleontologic resources were identified during the course of inspection; therefore, additional archaeological investigative work is unwarranted (Manning pers. comm. 2008). The formal report of findings is titled "Cultural Resources Inventory of State Owned Land in Sections 28 and 29, T31N R22W: Flathead County, Montana." and is on file with both the DNRC and the Montana State Historic Preservation Office (SHPO).

3.6.2 Environmental Consequences

3.6.2.1 No Action Alternative

There would be no direct, indirect or cumulative effect to cultural resources as a result of the No Action alternative.

3.6.2.2 Proposed Action Alternative

There would be no direct, indirect or cumulative effect to cultural resources as a result of the Proposed Action alternative

3.7 **Public Access and Recreation**

3.7.1 Existing Environment

Lupfer Parcel

The Lupfer Parcel is accessed via the County's Lupfer Road and a system of low-standard forest roads that provide for low volume vehicle traffic. This parcel is currently private and public access is not allowed.

Highway 93 Parcel

There is no vehicular access on this parcel. The Highway 93 Parcel is currently private and public access is not allowed.

State Trust Parcel

The State Trust Parcel is generally accessed from the Beaver to Skyles Road via Highway 93. The State Trust Parcel boundary is approximately 1.7 miles north from Highway 93.

A gate is located on another piece of State land approximately 0.35 mile north from Highway 93. Beyond this gate, the Beaver to Skyles Road is subject to a reciprocal access agreement between the DNRC and the Skyles to Beaver Lake Road Users Association (RUA). This agreement allows for non-motorized public access on the Beaver to Skyles Road beyond the gate and motorized access for the DNRC and the RUA. There is an additional road that enters the parcel from the north (Beaver Lake); however, this is also a private road and does not allow public motorized access. The State Trust Parcel is open to dispersed non-motorized public access.

The parcel supports multiple recreational uses including hiking, biking and hunting.

3.7.2 Environmental Consequences

3.7.2.1 No Action Alternative

There would be no changes to the existing public access and recreation opportunities as a result of the Proposed Action. The DNRC would continue to work with the *Trail Runs Through It* project on the State Trust Parcel; however, the Proponent would not pay for the construction of a trail on the State Trust Parcel or on the Lupfer Parcel.

3.7.2.2 Proposed Action Alternative

Lupfer Parcel

Three residential parcels could be created by the Proponent as permitted by the terms of the existing conservation easement on the Lupfer Parcel. The two smaller residential parcels would be managed as residential lease lots by the DNRC. The larger parcel would be developed with an approximately 6-mile loop trail and a residential lease site may be established on the larger parcel in the future. The trail, parking area and trailhead would be designed and constructed by the Proponent on this parcel. This trail would be open to public, non-motorized use. The Lupfer Parcel would become open to dispersed, non-motorized public recreation. As stated by the terms of the existing conservation easement, motorized recreation would not be allowed. It is possible that illegal off-road vehicle (ORV) traffic may occur on the Lupfer Parcel. Hunting would be allowed on this parcel; however, the State of Montana does not allow the discharge of firearms within 0.25 mile of inhabited dwellings (ARM 36.25.149). Therefore, if residential lease properties are developed they would decrease the hunting area available to hunters. There may be firearm restrictions related to the trail in the future; however, they are not part of the Proposed Action at this time.

Highway 93 Parcel

This parcel would benefit public recreation in the Spencer Lake area as a link between two existing State parcels and as an access parcel from Highway 93. Dispersed, non-motorized recreation would be allowed on this parcel. There is no road system in place on this parcel; therefore, motorized access would not be allowed as part of the Proposed Action. At this time the Proposed Action does not include parking or an approach from

Highway 93. It is possible that illegal off-road vehicle (ORV) traffic may occur on the Highway 93 Parcel. Hunting would be allowed on this parcel in accordance with State laws.

State Trust Parcel

A deed restriction would be placed on the parcel to limit development to a maximum of two home-sites. The Proponent would improve the parcel with a recreational trail corridor. This trail would be designed, constructed and funded by the Proponent and would become part of the *Trail Runs Through It* project. The trail itself would become permanently authorized for the community by the City of Whitefish acquiring a permanent easement. Non-motorized public access would be moved from the Beaver to Skyles Road to the recreational trail corridor. Public access would not be allowed outside the trail corridor on this parcel – dispersed public recreation would no longer be allowed. Motorized public access would remain in place for the Beaver to Skyles Road Users Association and their assigns.

The proposed trail would be located just to the north and east of the Elkhorn subdivision. Adequate signage would be placed on the trail notifying users that dispersed recreation is not allowed in the vicinity of the trail. Trail planning by the Proponent and others has attempted to locate a route that has the least impact on residents in the area.

3.8 Transportation

3.8.1 Existing Environment

Lupfer Parcel

The Lupfer Parcel is accessed by the county Lupfer Road (also known as Lupfer Meadows Road). In 2007, Lupfer Road had an Average Daily Traffic (ADT) count of 188 and 209, respectively, on two traffic count locations (FCRD 2007).

The Flathead County Public Works Department, which manages county roads in Flathead County, has classified this road as a “local county road”. Lupfer Road was originally an unimproved two-track that has grown with increased use and development in the area. The gravel surface is maintained both by the county and by local residents (Prunty pers. comm. 2008).

Because Lupfer Road was not constructed when the county had road standards, it does not have the standards that are now required by the county when constructing new “local county roads”. The current road standard states that the road must be built with two 12-foot lanes with two feet of shoulder. If the road receives less than 100 ADT, it must have a gravel surface. If the road receives greater than 100 ADT, it must be paved according to applicable standards (Prunty pers. comm. 2008). Therefore, if Lupfer Road

was to be brought up to county standards for a “local county road” it would need to be widened and paved based on 2007 traffic counts.

According to agency observations and comments received during public comment opportunities, the Lupfer Road is in poor condition and is sub-standard for the amount of traffic it receives (**Appendix B**).

Highway 93 Parcel

The Highway 93 Parcel is accessed by Highway 93, which is maintained by the Montana Department of Transportation (MDT). MDT does not maintain a traffic recorder in the vicinity of the Highway 93 Parcel; however, the annual average daily traffic (AADT) count for Highway 93 between Whitefish and the county border to the northwest was 2,538 (MDT 2007).

Highway 93 is classified as a rural principal arterial and is maintained to the current MDT and federal highway standard.

State Trust Parcel

The State Trust Parcel does not have public motorized access. Motorized access is allowed only for the DNRC and assigns of the Skyles to Beaver Lake RUA. The Skyles to Beaver Road is classified as a “local county road”. There are no traffic count data available for this road.

3.8.2 Environmental Consequences

3.8.2.1 No Action Alternative

There would be no changes to the roads under the No Action Alternative. Traffic would not change as a result of the No Action Alternative.

3.8.2.2 Proposed Action Alternative

Lupfer Parcel

Under the Proposed Action, the Proponent would apply dust palliative to Lupfer Road to control dust. The Proponent would not upgrade or repair Lupfer Road as part of the Proposed Action.

Traffic would likely increase on the Lupfer Road due to the presence of a trailhead on the Lupfer Parcel. The number of vehicles that would be accessing the trailhead is unknown at this time. The road would continue to be substandard related to the amount of traffic it is accommodating.

Highway 93 Parcel

There would be no changes to vehicle access on the Highway 93 parcel under the Proposed Action. There would be no direct, indirect or cumulative impacts to transportation on the Highway 93 Parcel.

State Trust Parcel

There would be no changes to the road system or vehicle access on the State Trust Parcel as a result of the Proposed Action. There would be no direct, indirect or cumulative impacts to transportation on the State Trust Parcel.

3.9 Economics

A full economic analysis of the proposed Goguen land exchange was performed by ECONorthwest (ECONW 2008). This economic analysis is summarized in **Section 3.9**. A copy of this analysis is provided as **Appendix C**.

3.9.1 Existing Environment

Table 3-2 provides a summary of the current economic conditions related to the parcels involved in the proposed land exchange.

Table 3-2 *Economic Summary*

Parcel	Current Appraised Value (\$)	Current Revenue Generating Uses
Lupfer Parcel	4,720,000 ¹	None
Highway 93 Parcel	510,000 ²	None
Commercial Property	360,000 ³	Commercial lease space (Assume \$30,000/year lease revenue)
State Trust Parcel	5,550,000 ⁴	Forest-product sales

¹ Kelley 2008a

² Kelley 2008b

³ Kelley 2008c

⁴ Kelley 2008d

3.9.2 Environmental Consequences

3.9.2.1 No Action Alternative

There would be no direct, indirect or cumulative effects to economics related to the Lupfer Parcel, Highway 93 Parcel and Commercial Property as a result of the No Action alternative. These parcels would remain privately owned. Future use of these parcels is unknown.

State Trust Parcel

Under the No Action alternative, two residences could be built on the property. The DNRC could lease two one-acre lots for residential development. Three management

uses on this parcel would generate revenue for the DNRC: forest-product sales, recreational leases, and residential leases.

Forest-Products Sales

Approximately 430 acres of the property would be managed for timber production. DNRC has recommended harvest activities in six stands over the next sixty years. In general, the property would be managed on a 60-year rotation (Manning pers. comm. 2008). For the timber-harvest activities, revenues are assumed to be \$225 per Mbf and total expenses of \$130 per Mbf (Larson pers. comm. 2008). **Table 3-3** provides the timber management assumptions for the State Trust Parcel.

Table 3-3 *Timber Management Assumptions – State Trust Parcel¹*

Stand	Acres	Next Entry	Estimated Yield	Total Income	Total Expenses
1A	E. 51 acres	10 years	6 Mbf/acre	\$68,850	\$39,780
1A	W. 40 acres	30 years	6 Mbf/acre	\$20,475	\$11,830
2	13 acres	10 years	7 Mbf/acre	\$17,550	\$10,140
2	26 acres	30 years	8 Mbf/acre	\$9,000	\$5,200
3	53 acres	30 years	6 Mbf/acre	\$54,000	\$31,200
4A, 4B	26 acres	10 years	3 Mbf/acre	\$46,800	\$27,040
5, 1B	26 acres	30 years	5 Mbf/acre	\$71,550	\$41,340
5, 1B	10 acres	10 years	4 Mbf/acre	\$29,250	\$16,900
Remaining Stands	188 acres	52 years	8 Mbf/acre	\$337,500	\$195,500

¹ Manning pers. comm. 2008

Residential Leases

Under the No Action alternative, DNRC could lease two one-acre home-sites on the property. Although much of the infrastructure is in place to accommodate the residential development, new home-sites would require access driveways and electrical power hook-ups. The lessee would be assumed to bear these costs, as well as the cost to develop any structures. According to the DNRC Sample Terms and Conditions for Residential Lease Lots (DNRC, no date), the DNRC leases home-sites at five percent of the non-improved taxable value of the lot. The market value of any given home-site at the time of lease is unknown; however, recent appraisals of the parcel found the per-acre value of the property ranges from \$11,785 when considering the parcel as a whole, to \$22,000 when considering the smaller lots (Kelley 2008d). In the absence of an appraisal for each potential one-acre lot, both home-sites are assumed to lease for five percent of \$22,000, or \$1,100 per year. **Table 3-4** summarizes the potential income used in the economic analysis associated with the residential leases.

Table 3-4 Residential Lease Income – State Trust Parcel

Residential Leases	Per-Unit Value	Total Value
2 one-acre home-sites	\$1,100 per year	\$2,200 per year

Recreational Use

Recreational leases describe individual and family recreational-use licenses. These licenses are required for any person age twelve or older to use state land for general recreational purposes (DNRC TLMD 2008). The Department of Fish, Wildlife, and Parks (FWP) sells the licenses through authorized dealers for \$10 per year for an individual license and \$20 per year for a family license (FWP 2008b). FWP's conservation license, required for hunting and fishing activities, also generates \$2 per license for State Trust lands. The revenue from these licenses is collected state-wide and redistributed to the recreational use lands held by the state in trust. This source of revenue typically amounts to very little value per acre (Manning pers. comm. 2008).

3.9.2.2 Proposed Action Alternative

Table 3-5 summarizes the economic analysis of the Proposed Action under a 20-year planning scenario and a 60-year planning scenario (ECONW 2008). For both periods of analysis, the Goguen parcels, together, produce a higher net present value, a higher income return, and a higher total return-on-asset than the State Trust parcel.

Table 3-5 Summarized Economic Analysis of Proposed Action

Parcel Name	Appraised value	Net Present Value	Income Return	Total Return on Asset
<i>20-Year Analysis</i>				
Goguen Parcels				
<i>Lupfer Parcel</i>	\$4,720,000	\$150,841	0.41%	4.41%
<i>Highway 93 Parcel</i>	\$510,000	\$29,417	0.54%	4.54%
<i>Commercial Property</i>	\$360,000	\$419,368	9.17%	13.17%
State Trust Parcel	\$5,550,000	\$71,622	0.11%	4.11%
<i>60-Year Analysis</i>				
Goguen Parcels				
<i>Lupfer Road Parcel</i>	\$4,720,000	\$250,280	0.50%	4.50%
<i>Highway 93 Parcel</i>	\$510,000	\$55,728	1.00%	5.00%
<i>Commercial Parcel</i>	\$360,000	\$419,368	9.17%	13.17%
State Parcel	\$5,550,000	\$178,809	0.39%	4.39%

Lupfer Parcel

Under the Proposed Action, the Proponent would develop a trailhead and a recreational loop trail. The trail would be managed through a land-use license with the City of Whitefish and its partners. In addition, the property would support three residential leases. The Proponent would develop roads and utilities for the three residential lots prior to transfer. Three management uses on this parcel would generate revenue under the Proposed Action: forest-product sales, recreational leases, and residential leases.

Forest-Product Sales

Table 3-6 provides the timber management assumptions for the Lupfer Parcel.

Table 3-6 *Timber Management Assumptions - Lupfer Parcel^{1,2}*

Stand	Acres	Next Entry	Estimated Yield	Total Income	Total Expenses
1-4	473	20 years	3.5 MBF/acre	\$372,488	\$214,500
1-4	473	40 years	2.5 MBF/acre	\$266,063	\$153,400
5	70	60 years	4 MBF/acre	\$63,000	\$36,400

¹Northwest Management, 2008

²Manning pers. comm., 2008

The DNRC would manage approximately 543 acres of the property for timber production. Of this, 473 acres would be harvested through commercial thinning in 20 years, and again in 40 years. The DNRC would leave 70 acres unharvested for 60 years to encourage development of a mature forest stand. For the timber harvest activities, revenues were assumed to be \$225 per Mbf (Larson pers. comm. 2008) and total expenses of \$130 per MBF (Manning pers. comm. 2008).

Recreational Leases

Two types of recreational leases could occur on the Lupfer Parcel under the Proposed Action. The first is a recreational lease for a recreational loop trail. DNRC would receive \$200 per mile, or \$1,200, each year for this lease (Manning pers. comm. 2008). The City of Whitefish and its partners would incur the costs associated with annual upkeep and maintenance of the trail.

The second type of recreational lease involves individual and family recreational-use licenses. These licenses are required for any person age twelve or older to use state land for general recreational purposes (DNRC TLMD 2008). FWP sells the licenses through authorized dealers for \$10 per year for an individual license and \$20 per year for a family license (FWP 2008b). FWP's conservation license, required for hunting and fishing activities, also generates \$2 per license for State trust lands. The revenue from these licenses is collected state-wide and redistributed to the recreational use lands held by the state in trust. Thus, this source of revenue is not tied specifically to the Lupfer Parcel, and typically amounts to very little value per acre (Manning pers. comm. 2008). Unless the acquisition of this parcel increases the total number of recreational licenses

sold by DFWP—and if it did, the marginal increase would likely be trivial—this source of income is inconsequential to this analysis.

Table 3-7 summarizes the potential income used in the economic analysis associated with the recreational leases.

Table 3-7 *Recreational Lease Income – Lupfer Parcel*

Recreational Lease	Total Value
Recreational lease for trail	\$1,200 per year
General recreation licenses	Inconsequential

Residential Leases

Under the Proposed Action, DNRC could lease three one-acre home-sites on the property. The road and utilities to the home-sites would be developed by the Proponent prior to transfer. The cost to develop and maintain the home-sites themselves would be borne by the lessee. According to the DNRC Sample Terms and Conditions for Residential Lease Lots (DNRC, no date), the DNRC leases home-sites at five percent of the non-improved taxable value of the lot. The market value of any given home-site at the time of lease is unknown; however, recent appraisals of the parcel found the per-acre value of the property ranges from \$7,447 when considering the parcel as a whole, to \$16,600 when considering the smaller lots (Kelley 2008a). In the absence of an appraisal for each potential one-acre lot, the three home-sites would be assumed to lease for five percent of \$16,600, or \$830 per year. **Table 3-8** summarizes the potential income used in the economic analysis associated with the residential leases.

Table 3-8 *Residential Lease Income – Lupfer Parcel*

Residential Leases	Per-Unit Value	Total Value
3 one-acre home-sites	\$830 per year	\$2,490 per year

Highway 93 Parcel

Under the Proposed Action, three management uses would generate income on the Highway 93 Parcel: forest-product sales, an agricultural lease, and recreational-use licenses.

Forest-Products Sales

Approximately six acres of the property would be managed for timber production. Harvest would occur on five acres in twenty years, producing an estimated yield of six Mbf per acre, or a total of thirty Mbf (DNRC 2008a). For the timber harvest activities, revenues are assumed to be \$225 per Mbf and total expenses of \$130 per Mbf (Larson pers. comm. 2008).

Agricultural Lease

The DNRC leases agricultural lands for crop production. The majority of the leases are valued on a twenty-five percent crop-share basis. To value the lease, the agricultural portion of the parcel would be assumed to continue to produce wild hay at two tons per acre. The Department of Revenue currently values wild hay at \$150 per ton (Manning pers. comm. 2008). The value of the lease, therefore, would be approximately \$1,800 per year.

Recreational Use

The same assumptions for the recreational lease on the Highway 93 Parcel were used as that used for the Lupfer Parcel. Based on those assumptions, the income from the recreational use of this property would be inconsequential.

Table 3-9 provides a summary of the potential income used in the economic analysis associated with the Highway 93 Parcel.

Table 3-9 *Potential Income – Highway 93 Parcel*

Income Source	Description	Total Income	Total Expense
Forest-Product Sales	30 MBF	\$6,750	\$3,900
Agricultural Lease	Wild hay 25% crop share	\$1,800	N/A
Recreational Use	Inconsequential		

Commercial Property

The building on the Commercial Property currently leases for \$2,300 per month (\$27,600 per year) to the Glacier Restaurant Group (Kelley 2008c). The Proponent has committed to guarantee net lease revenue of \$30,000 for a ten-year period. To be conservative, this analysis assumes that after the tenth year the DNRC sells the Commercial Property and recovers its current market value. However, the DNRC does not have plans at this time to sell the commercial property within any specific time period. Any potential depreciation over this period would be covered by the net revenue generated by the property.

State Trust Parcel

There would be no direct, indirect or cumulative effects to economics related to the State Trust Parcel as a result of the Proposed Action alternative. This parcel would remain under the management of the DNRC.

3.10 Irretrievable and Irreversible Commitments of Resources

There would not be any irretrievable and irreversible commitments of resources as a result of either the No Action alternative or the Proposed Action alternative.

CHAPTER 4.0 FINDINGS

4.1 Adherence with Local Plans and Goals

The REMP, the SFLMP, and the WNP make up the primary framework within which management decisions are made regarding the parcels proposed for exchange. Discussion regarding each of these plans' applicability to the proposal is provided below.

Real Estate Management Plan (REMP)

The REMP is the guiding management philosophy of the DNRC Real Estate Management Bureau and embodies three general goals: (1) sharing in expected community growth; (2) planning proactively; and (3) increasing revenue for Trust beneficiaries.

The No Action alternative meets the goals of the REMP using existing practices. The Proposed Action meets the goals of the REMP by contributing to open space conservation and recreation opportunities that benefit the community as a whole. The Proposed Action is also designed to proactively manage land in light of the rapid growth of the Whitefish area and the escalation in land prices. Lastly, the Proposed Action has the potential to increase the revenue for Trust beneficiaries.

State Forest Land Management Plan (SFLMP)

Because the majority of the lands on which the proposed land exchange is being considered are timber lands, the impacts to the management of these lands for timber production and Forest Management will be considered, i.e.:

- Shifting of management objectives to reflect formalized recreational use;
- Value and condition of timber stand on all parcels considered for exchange;
- Limitations on forest management implicit with easements and plans associated with the property involved;
- Legal access and existing road system to access the timber;
- Increased public awareness/acceptance of forest management activities;
- Net change of acreage available for timber production; and
- Any other impacts identified during scoping and review.

This EA addresses the above impacts related to the No Action and Proposed Action alternatives.

Whitefish Neighborhood Plan (WNP)

The WNP is consistent with and reflective of the REMP goals and addresses them within the context of a more detailed community discussion. The proposed land exchange implements a major component of the WNP.

The project area is located in the Beaver Lakes/Skyles subarea of the WNP. This subarea has specific concepts and implementation strategies that apply to the Proposed Action.

4.2 Adherence with Montana State Land Board Land Exchange Criteria

The Proposed Action must meet the following seven criteria for land exchanges (MBLC 2004):

1. Equal or greater value

✓Meets and exceeds criteria - The Proposed Action would result in the State acquiring lands/property with a greater value than those they would dispose of. The Goguen parcels proposed for acquisition are valued at \$5,590,000 and the State Trust Parcel proposed for disposition is valued at \$5,550,000.

2. State land bordering on navigable lakes and streams

✓Meets criteria - The State land proposed for disposition does not border navigable lakes or streams.

3. Equal or greater income to the trust

✓Meets and exceeds criteria - The State should receive greater income to the trust, now and in the future, than with the No Action alternative. Based on a 60-year return period, Goguen parcels proposed for acquisition have an estimated average income return of 3.56% while the State Trust Parcel proposed for disposition has an income return of 0.39%. There are a number of assumptions that were needed to complete a fair economic analysis that may or may not be accurate, especially as it relates to potential timber harvesting. However, the conclusion that the Trust beneficiaries would receive greater revenue from the exchange is correct, but the actual amount of revenue is likely to be different than portrayed in the analysis.

4. Equal or greater acreage

✓Meets and exceeds criteria - The State would receive greater acreage than it would dispose of. The State would receive 599+ acres and would dispose of 435 acres.

5. Consolidation of state lands

✓Meets criteria - The Proposed Action does not further fractionalize state land holdings by creating isolated parcels of state land. The Proposed Action slightly consolidates lands by providing access to State lands south of Highway 93 via the Highway 93 Parcel.

6. Potential for long-term appreciation

✓Meets criteria – The lands that would be acquired by the State have a greater potential for long-term appreciation than those the State would dispose of. Based on a 60-year return period, the Goguen lands proposed for acquisition have an average total return on asset of 7.56% while the State Trust Parcel proposed for disposal has an average total return on asset of 4.39%.

7. Access

✓Meets criteria – The Proposed Action brings more access to the public. Non-motorized public access would increase from 435 to 599 acres plus non-motorized public access on trail corridor only through 435 acres.

4.3 Necessity for Further Analysis

This EA fulfills the requirements of MEPA. The evaluation of impacts to the physical and human environment revealed no significant impacts from the Proposed Action; therefore, an Environmental Impact Statement (EIS) is not necessary and this EA provides the appropriate level of analysis.

4.4 Alternative Selected

Two alternatives were presented and were fully analyzed in the Environmental Assessment (EA):

- No Action Alternative A includes existing activities on the State Trust Parcel, but does not include a land exchange with the Proponent's private land.
- Proposed Action Alternative B proposes to:
Exchange a total of 599 acres of private land owned by the Proponent for 435 acres of State trust land. The State trust land proposed for exchange consists of 435 acres of forest land in the Stillwater State Forest. The Goguen land proposed for exchange consists of three parcels.

The DNRC would acquire the three privately-owned parcels from the Proponent. The Proponent would acquire the State Trust Parcel.

The Proponent would create three residential parcels on the Lupfer Parcel and construct the roads, driveways and utilities on the parcels to the standard provided by Flathead County subdivision requirements; construct approximately six miles of loop trail, and perform dust-control on County-owned Lupfer Road up to the eastern access to the trailhead. The Lupfer Parcel would become open to dispersed, non-motorized public recreation. Timber management under a Forest and Timber Management Plan would be performed by DNRC under the existing conservation easement. The Commercial Property would continue to be managed to provide

income to the Trust through the Proponent committing to the State that it receive net lease revenue of at least \$30,000 per year for ten years.

The State would place a deed restriction on the State Trust Parcel to limit development to a maximum of two home-sites. The Proponent would improve the parcel with a recreational trail corridor. This trail would be designed, constructed and funded by the Proponent and would become part of the *Trail Runs Through It* project. The trail itself would become permanently authorized for the community by the City of Whitefish acquiring a permanent easement prior to the land exchange. Non-motorized public access would be moved from the Beaver to Skyles Road to the recreational trail corridor. Public access would not be allowed outside the trail corridor on this parcel – dispersed public recreation would no longer be allowed

I have selected Action Alternative B (land exchange proposal) with the following requirements:

- The State will designate and exchange equally-valued mineral rights on the State Trust Parcel for the 30-acres of mineral rights owned by Michael Goguen on the Highway 93 parcel prior to the surface-rights exchange.
- The State will place a deed restriction limiting the State Trust Parcel to two home-sites prior to the exchange.
- The City of Whitefish will apply for and obtain a permanent trail easement across the State Trust Parcel prior to the exchange. The State will relocate an existing pedestrian public-access corridor on the existing Skyles to Beaver Road to the proposed trail through the State Trust Parcel as part of the easement process.
- Michael Goguen agrees in writing (using the appropriate combination of legal instruments as determined by the State) to:
 - Construct the trail system and parking lot on the Lupfer Parcel.
 - Construct the trail system across the State Trust Parcel.
 - Construct the roads, driveways, and utilities to the three residential sites being established on the Lupfer Parcel.
 - Perform annual dust abatement on the Lupfer Road from the highway to the eastern edge of the Lupfer Parcel until such time as the dust impact is permanently addressed (paving).
 - Correct all of the identified commercial-building deficiencies currently identified by DSB Engineering and confirm that the deficiencies have been corrected via a visual code compliance inspection by a certified engineer.
 - Provide a financial guarantee to the State for a net \$30,000 dollars of annual lease revenue from the commercial parcel for ten years. If the property is leased for a higher rate-of-return, the State would be entitled to the additional revenue.

In addition, it will be important for Michael Goguen to follow through with the commitments he has recently made in a Memorandum of Understanding between himself, the City of Whitefish, and Flathead Gateway Partners.

- The City of Whitefish will add the Lupfer Parcel trail system to their existing Trail Land Use License until it is addressed permanently through a trail easement.

I have selected Alternative B for the following reasons:

- It meets or exceeds all seven of the land exchange criteria.
- It complies with the Real Estate Management Plan, State Forest Land Management Plan, and Whitefish Neighborhood Plan.

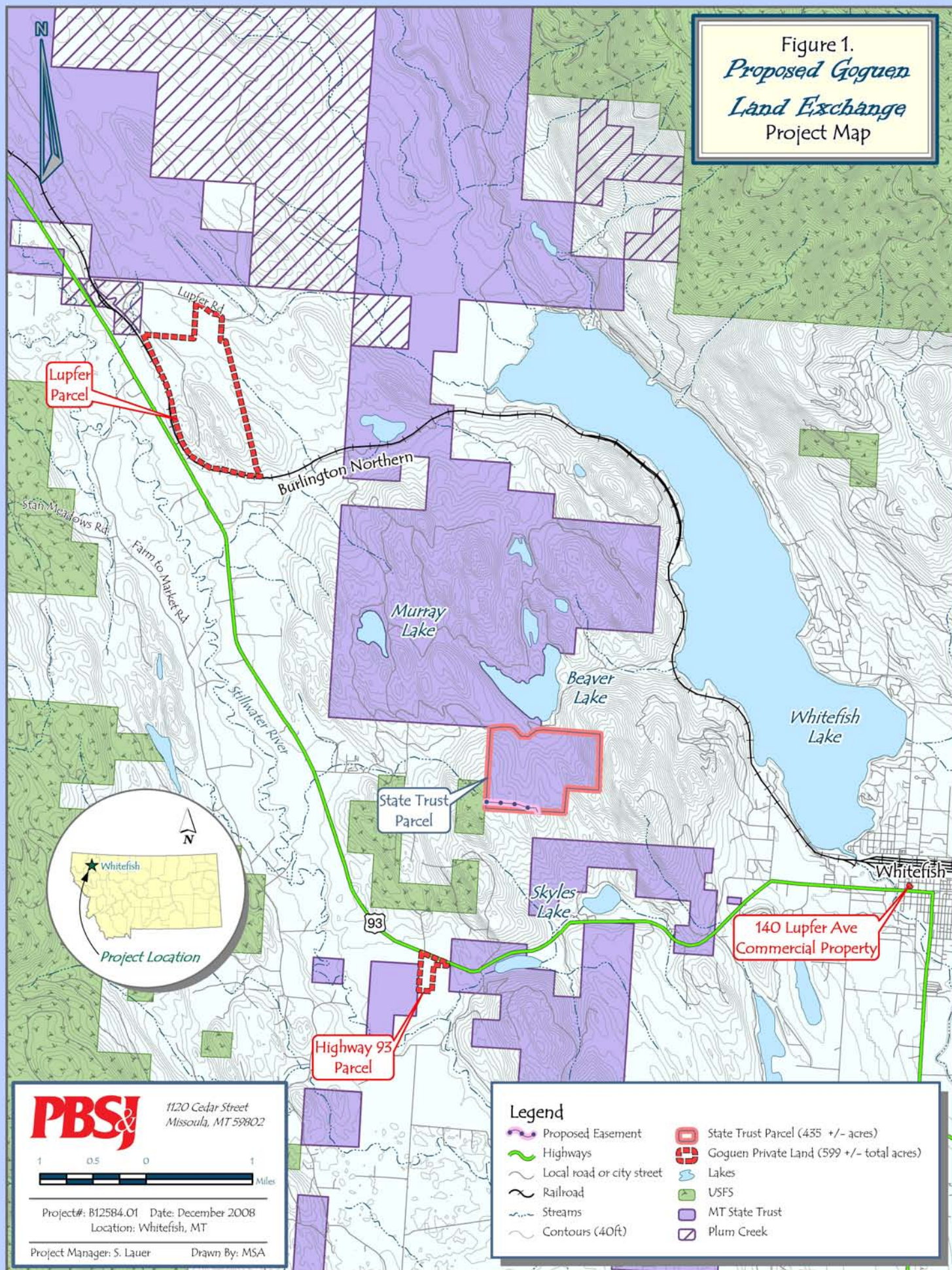


Robert L. Sandman
Area Manager, Northwestern Land Office
Department of Natural Resources & Conservation

FIGURE

Figure 1 – Proposed Goguen Land Exchange Project Map

Figure 1.
*Proposed Goguen
Land Exchange
Project Map*



APPENDIX A

Conceptual Build-out of Lupfer Parcel

APPENDIX B

Public Involvement



**MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
STILLWATER UNIT
PROPOSED GOGUEN LAND EXCHANGE**

December 20, 2007

Project Description

The Montana Department of Natural Resources and Conservation (DNRC), Stillwater Unit, is currently evaluating a proposal submitted by Michael Goguen of Whitefish, Montana. The proposal is for a land exchange between parcels owned by Mr. Goguen and State of Montana trust lands administered by DNRC. The proposal would exchange ownership of one commercial lease property in downtown Whitefish and two parcels (Lupfer Parcel and Highway 93 Parcel) totaling 602 acres of private land owned by Mr. Goguen for 440 acres of trust land administered by DNRC. The map included as **Figure 1** shows the Goguen and State trust parcels that would be affected by the proposed land exchange.

The Goguen commercial lease property is located at 140 Lupfer Avenue. The 602 acres of Goguen open land proposed for exchange are located in Sections 2, 11, and 12 in Township 31 North, Range 23 West and Section 5 of Township 30 North, Range 22 West, respectively. The DNRC parcel proposed for exchange is located in Sections 28 and 29 of Township 31 North, Range 22 West within Stillwater State Forest (**Figure 1**).

Mr. Goguen proposes the following three components:

1. Exchange of one commercial property in downtown Whitefish and 602 acres of private land owned by Mr. Goguen for 440 acres of State trust land;
2. Donation of a significant financial contribution to the City of Whitefish for trail project funding and full funding for trail easement, dedication, design and construction on the Lupfer Parcel and a segment of trail through the 440 acres of State trust land as part of the *Trail Runs Through it project*;
3. Placement of a permanent conservation easement on the 440 acres that Mr. Goguen would acquire from DNRC as part of the land exchange.

The State of Montana would acquire the commercial lease property and 602 acres of open land in exchange for 440 acres of open land.

This public scoping period is related specifically to the Goguen Land Exchange and its components. If this project is approved, DNRC and Mr. Goguen would submit the land exchange proposal to the State Land Board for their consideration.

What We Need From You

DNRC would like to receive public comment regarding concerns or issues about the proposed land exchange as part of their evaluation of the proposal. In accordance with Montana's Environmental Policy Act (MEPA), public concerns about the project and potential environmental impacts will be considered and analyzed before a decision is made regarding project implementation. DNRC is planning to evaluate the project using an Environmental Assessment (EA). However, the project design and corresponding level of analysis will be influenced by public and specialist input.

Please let us know how we can best keep you or your organization actively involved and informed throughout the project analysis. The comment period for this project will remain open until January 19, 2008. All individuals or organizations that submit comments or request to remain on the mailing list by January 19, 2008 will continue to receive correspondence concerning this proposal. Individuals not commenting on this proposal will receive no further correspondence.

To obtain more information about the land exchange, contact Brian Manning at Stillwater State Forest. To submit written comments on the proposal, please contact Stephanie Lauer, Senior Environmental Scientist for PBS&J.

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Thank you for your interest in State trust land management.

Sincerely,

Robert L. Sandman
Northwest Land Office Manager
Montana Department of Natural Resources and Conservation
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Figure 1

Montana Department of Natural Resources and Conservation
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[POSTAGE]

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**Goguen Land Exchange
Scoping Period
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JACQUE AND WILLO HARRIS
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LEONA AND VICKI HILEMAN
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HOWARD AND TRACIE KEISTER
450 BEAVER LAKE ROAD
WHITEFISH MT 59937

JOHN L LEDYARD
220 TWIN BRIDGES ROAD
WHITEFISH MT 59937

RICHARD AND MARY
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PITTSBURG NY 14534

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800 South Main, West Annex
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Table B-1 Public Involvement Content Analysis - Goguen Land Exchange

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
1	H.T. Vars	1	Mail	H.T. Vars 21415 Rollins Lakeshore Drive Rollins, MT 59931	LEX Criteria	Exchange needs to be advantageous to State This is the only thing that should matter in decision from the components that are proposed Doubts the exchange is in the best interest of State long or short term	1: Dec 07-Jan 08
2	H.T. Vars	1			Proposed Action	Donation of funds should not have any bearing on exchange proposal Not the Trust's obligation to fund trail project Trust should get compensation for trails on State lands Conservation easement should not have value in decision since State already manages lands in environmentally sensitive way	1: Dec 07-Jan 08
3	H.T. Vars	1			Land Use	State lands proposed used by recreationists and valuable to wildlife, watershed and scenic values	1: Dec 07-Jan 08
4	H.T. Vars	1			LEX Criteria	Admin. Costs and management efforts more efficient with contiguous ownership Only exchanges that would continue to block together State lands should be considered	1: Dec 07-Jan 08
5	H.T. Vars	1			Transportation	State lands already have improved road system, is it the same on the Lupfer parcel?	1: Dec 07-Jan 08
6	H.T. Vars	1			Recreation	Good recreation on State lands known, but potential for recreation on Goguen lands unknown Enjoyment of Beaver Lake complex a result of State holding on to their lands despite many exchange proposals	1: Dec 07-Jan 08
7	H.T. Vars	1			Proposed Action	State should retain R/W ownership and acreage for future R/W needs on S. Beaver Lake Road, this acreage should be deleted from 440 ac piece	1: Dec 07-Jan 08
8	H.T. Vars	1			Cultural Resources	Historic road from Hwy 93 to S. Beaver Lake Remains of old "bootleg" cabin in S20 and may be more in S28 and S29	1: Dec 07-Jan 08
9	Lynda K. Osborne	2	Mail	Lynda K. Osborne 1080 Star Meadows Road Whitefish, MT 59937	LEX Criteria	Exchange favors Mr. Goguen Lupfer parcel was logged recently and is surrounded by private lands which may hinder management Railroad tracks may affect desirability for subdivision or residential sites, affect adequate ingress and egress State parcel is contiguous to other State parcels making mgmt. better	1: Dec 07-Jan 08
10	Lynda K. Osborne	2			Proposed Action	The donation to trail system, connections and financial means of Mr. Goguen seem like bribery and shouldn't be part of proposal Is the State setting a precedence of accepting philanthropic giving for a land exchange? If so than the average Joe would not be successful in attaining an exchange	1: Dec 07-Jan 08
11	Charles and Paula Collins	3	Mail	Charles and Paula Collins 680 Elk Ridge Road Whitefish, MT 59937	Recreation	The conservation easement will be excellent environment for trail	1: Dec 07-Jan 08
12	Charles and Paula Collins	3			LEX Criteria	The State parcel would be hard to develop and the Goguen parcels very accessible to Hwy 93, thus advantageous exchange for State	1: Dec 07-Jan 08
13	Charles and Paula Collins	3			Related Projects and Plans	Wants to see Elkhorn subdivision have minimal effect on trail, and that those on trail have minimal effect on subdivision	1: Dec 07-Jan 08
14	Roger and Carole Spragg	4	Mail	Roger and Carole Spragg P.O. Box 4395 Whitefish, MT 59937	Recreation	The conservation easement will be excellent environment for trail	1: Dec 07-Jan 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
15	Roger and Carole Spragg	4			LEX Criteria	The State parcel would be hard to develop and the Goguen parcels very accessible to Hwy 93, thus advantageous exchange for State	1: Dec 07-Jan 08
16	Roger and Carole Spragg	4			Related Projects and Plans	Wants to see Elkhorn subdivision have minimal effect on trail, and that those on trail have minimal effect on subdivision	1: Dec 07-Jan 08
17	R.S. Boughton	5	Mail	R.S. Boughton P.O. Box 4573 Whitefish, MT 59937	Transportation	Traffic on Lupfer Road is at 200 cars per day not counting recently approved 5 lot subdivision Traffic would increase on Lupfer Road as a result of the Proposed Action	1: Dec 07-Jan 08
18	R.S. Boughton	5			Air Quality	The condition of Lupfer Road does not provide residents with clean and healthy environment	1: Dec 07-Jan 08
19	R.S. Boughton	5			Proposed Action	This proposal could be win-win with the following additions: Wants parking area established off county road Lupfer Road should be upgraded and paved DNRC should commit to not sell the Lupfer parcel because of wildlife habitat	1: Dec 07-Jan 08
20	Glacier Cyclery	6	Mail	Glacier Cyclery 326 E. Second Street Whitefish, MT 59937	LEX Criteria	Large acreage difference in the favor of the DNRC is a benefit	1: Dec 07-Jan 08
21	Glacier Cyclery	6			Recreation	Exchange is critical for Trail Runs Through It, there are no other options available	1: Dec 07-Jan 08
22	Charles McCarty and Anne Lent	7	Mail	Charles McCarty and Anne Lent 1165 Lupfer Meadows Road Whitefish, MT 59937	Transportation	Object to proposal unless Lupfer Road is upgraded and maintained Road needs at least gravel to cover native clay that is creating dust and potholes	1: Dec 07-Jan 08
23	F.H. Stoltz/Paul McKenzie	8	Mail	Paul McKenzie F.H. Stoltz Land and Lumber Boxc 1429 Columbia Falls, MT 59912	LEX Criteria	DNRC must consider only the exchange of land and can not consider the monetary donation and conservation easement	1: Dec 07-Jan 08
24	F.H. Stoltz/Paul McKenzie	8			Regulatory Authority	Analysis must include review of potential regulatory and operational obstacles to management, including natural resources, planning and zoning, access etc.	1: Dec 07-Jan 08
25	F.H. Stoltz/Paul McKenzie	8			LEX Criteria	Comparison of future land use potential of all parcels must be made to determine long term impact and opportunity costs to Trust beneficiaries	1: Dec 07-Jan 08
26	F.H. Stoltz/Paul McKenzie	8			Economics	Costs associated with relocation of existing non-motorized easement on Skyles to Beaver Road should not be borne by Trust	1: Dec 07-Jan 08
27	F.H. Stoltz/Paul McKenzie	8			Recreation	Current route has gentle grades and even trail surface, new route must have similar grades and accessibility or it won't be equitable	1: Dec 07-Jan 08
28	Larry Funk	9	Email	larryfunk@centurytel.net	Transportation	Wants to see necessary improvements on Lupfer Road	1: Dec 07-Jan 08
29	Alan Elm	10	Email	alan@whitefishproperty.net	Related Projects and Plans	Meets WFNP	1: Dec 07-Jan 08
30	John Bode	11	Mail	John Bode 8814 Hidden Oaks Drive Eden Prairie, MN 55344	Recreation	Wants trail located removed from Elkhorn subdivision boundaries so trail doesn't impact subdivision and vice versa	1: Dec 07-Jan 08
31	John Bode	11			Impacts to Housing	Maximum of two homesites could be developed	1: Dec 07-Jan 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
32	Brandon Ackers	12	Mail	Brandon Ackers P.O. Box 773 Whitefish, MT 59937	LEX Criteria	Exchange appears advantageous to State	1: Dec 07-Jan 08
33	Brandon Ackers	12			Recreation	Wants trail located removed from Elkhorn subdivision boundaries so trail doesn't impact subdivision and vice versa	1: Dec 07-Jan 08
34	Mike Frost	13	Email	Mike Frost 445 Antler Ridge Road Whitefish, MT 59937	LEX Criteria	Exchange appears advantageous to State	1: Dec 07-Jan 08
35	Mike Frost	13			Recreation	Wants trail located removed from Elkhorn subdivision boundaries so trail doesn't impact subdivision and vice versa	1: Dec 07-Jan 08
36	David Green	14	Email	david@northpolecity.com	Mailing list	Wants to be kept on mailing list	1: Dec 07-Jan 08
37	Dennis Breed	15	Email	dennisbreed@yahoo.com	Mailing list	Wants to be kept on mailing list, had questions for Brian about proposal	1: Dec 07-Jan 08
38	Mr. and Mrs. Hedstrom	16	Email	rjhedstrom@yahoo.com	Mailing list	Wants to be kept on mailing list, had questions for Brian about proposal	1: Dec 07-Jan 08
39	Jennifer Lewis	17	Email	jenfuller101@yahoo.com	Transportation	Lupfer Road needs to be paved if the exchange is accepted because of the potential increase in traffic	1: Dec 07-Jan 08
40	Jennifer Lewis	17			Air Quality	Increase in traffic will increase road dust problem and impact health	1: Dec 07-Jan 08
41	Janice Collins	18	Email	janicecollins@san.rr.com	Mailing list	Wants to be kept on mailing list, had questions for Brian about proposal	1: Dec 07-Jan 08
42	Lorne Wildernan	19	Email	Lorne Wildernan 3021 Champlain Street S.W. Calgary, AB Canada T2T 3J7	Mailing list	Wants to be kept on mailing list, had questions for Brian about proposal	1: Dec 07-Jan 08
43	Jack Waller and Laurie Gaiser	20	Email	Jack Waller and Laurie Gaiser P.O. Box 353 Whitefish, MT 59937	Mailing list	Wants to be kept on mailing list	1: Dec 07-Jan 08
44	Gail Dolan	21	Email	Gail Dolan 883 Lupfer Meadows Whitefish, MT 59937	Health and Safety	There is gathering place at beginning of road where people shoot guns, concerned that people using Lupfer piece could get shot	1: Dec 07-Jan 08
45	Gail Dolan	21			Transportation	The dust problem in the road is bad, road should be paved	1: Dec 07-Jan 08
46	Gail Dolan	21			Health and Safety	The increase in traffic makes the road more dangerous	1: Dec 07-Jan 08
47	Mike Jones	22	Email	whitefishmike@hotmail.com	Health and Safety	Concerned about trespassers onto his property from trail	1: Dec 07-Jan 08
48	Mike Jones	22			Noise	Concerned about noise from the trail	1: Dec 07-Jan 08
49	Mike Jones	22			Recreation	Trail would be more enjoyable to users if it was more in the woods	1: Dec 07-Jan 08
50	Rich McCarthy	23	Email	rich@nationalparksrealty.com	LEX Criteria	State lands should not be sold or traded at any price Does not think exchange is of equal or greater value to the State State lands proposed are recovering well and will continue to produce revenue for the State Goguen lands are under conservation easement and will not produce revenue to its full potential for the State Financial contribution should not be considered in decision State lands have greater value than Goguen lands because they are closer to Whitefish	1: Dec 07-Jan 08
51	John and Sue O'Donnell	24	Email	excel5550@msn.com	Recreation	Trail is great for Elkhorn residents and Whitefish Trail should be kept east of east border of Elkhorn subdivision	1: Dec 07-Jan 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
52	Whitefish Parks and Recreation/Todd Garrett	25	Email	parksadm@cityofwhitefish.org	Recreation	Supports exchange as essential to Trail Trail will be a regional recreation amenity that will contribute to the quality of life for residents and visitors	1: Dec 07-Jan 08
53	Mark Kvamme	26	Email	kvamme@sequoiacap.com	Recreation	Will be submitting letter clarifying easements Does not want project to decrease his enjoyment of his property	1: Dec 07-Jan 08
54	Bonnie and Bick Smith	27	Email	Bonnie and Bick Smith 2451 Wolfail Pines Whitefish, Montana 59937	LEX Criteria	This exchange would add value to the State Trust and benefit the community	1: Dec 07-Jan 08
55	John and Betty Dustin	28	Email	John and Betty Dustin 550 Lupfer Meadows Road Whitefish, Montana 59937	Transportation	Lupfer Road is sub-standard in most regards pertaining to width, drainage, dust abatement and maintenance. Only surface grading has occurred within the last nine years with no other improvements save those accomplished by the Burlington Northern Railroad at their grade crossing. There has been no addition of surface materials, several places where sub-grade rock protrudes into the driving surface. There are several points at which the roadway is very narrow and annually there is at least one collision incident at one of these points. Extreme dust conditions in the summer months has become an increasing issue as well. These conditions have reached a point which is un-safe for current residents. Proposal should include paving Lupfer Road	1: Dec 07-Jan 08
56	Patti Scruggs	29	Email	Patti Scruggs 611 Delrey Rd. Whitefish 59937	Mailing list	Wants to be kept on mailing list	1: Dec 07-Jan 08
57	Mr. and Mrs. LaRocco	30		Mr. and Mrs. LaRocco 575 Tamarack Creek Road Whitefish, MT 59937	Mailing list	Wants to be kept on mailing list	1: Dec 07-Jan 08
58	Gary Hall/County Commissioners	31	Email	ghall@flathead.mt.gov	Mailing list	Keep on mailing list	1: Dec 07-Jan 08
59	Durae D. Belcer	32	Email	tedanddurae@centurytel.net	General	I want to thank you for working with stake holders and the community on the Whitefish School Trust Lands Neighborhood Plan and Trail Runs Through it Master Plan. I am a community member and truly appreciate DNRC\'s participation in this process and encourage you to approve the Goguen Land Exchange. I support the land exchange.	2: Oct-Nov 08
60	Durae D. Belcer	32	Email		Recreation	Open space and forest lands are an important part of this community for local residents and the tourism economy.	2: Oct-Nov 08
61	Durae D. Belcer	32			LEX Criteria	It seems the exchange will be beneficial for all parties involved.	2: Oct-Nov 08
62	Joe Bennett	33	Email	joebob406@yahoo.com	General	I support the Goguen Land Exchange. Please approve the Goguen Land Exchange.	2: Oct-Nov 08
63	Joe Bennett	33			Related Projects and Plans	It supports the Whitefish School Trust Lands Neighborhood Plan... I also really like the Trail Runs Through It project because it would be great for locals and it would be another attraction for tourists (and tourists bring money to the Flathead Valley).	2: Oct-Nov 08
64	Joe Bennett	33			LEX Criteria	... it's a great deal because Goguen is offering more land than he would get.	2: Oct-Nov 08
65	MaiBritt Bennett	34	Email	maibritt406@yahoo.com , P.O.	Related Projects and Plans	I hope the DNRC approves the Goguen Land Exchange proposal because I believe it meets or exceeds the goals of the Whitefish School Trust Lands Neighborhood Plan...	2: Oct-Nov 08
66	MaiBritt Bennett	34			Recreation	... it supports the great recreational opportunity of the Trail Runs Through It project.	2: Oct-Nov 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
67	MaiBritt Bennett	34			LEX Criteria	The Goguen land offered in the exchange is of high quality in terms of its revenue generation potential and in terms of its recreational opportunities.	2: Oct-Nov 08
68	MaiBritt Bennett	34			Purpose and Need	If approved, the Goguen Land Exchange would be another successful real estate project for the DNRC, while benefiting both Flathead Valley residents and tourists alike. Additionally, I think this exchange fully supports the mission statement of the DNRC\'s Trust Land Management Division.	2: Oct-Nov 08
69	MaiBritt Bennett	34			General	Please approve the Goguen Land Exchange proposal.	2: Oct-Nov 08
70	Becca Corah	35	Email	bcorah@meadowlake.com	Recreation	My husband and I support the land exchange and the proposed trail system- we would use it and love it - we would also be interested in keeping it in good shape.	2: Oct-Nov 08
71	Pete Costain	36	Email	costain@centurytel.net	Related Projects and Plans	Thank you DNRC for your continued participation with the Whitefish School Trust Land Neighborhood Plan (WSTLNP)and . . . for your continued involvement with the Trail Runs Through It (TRTI) project. 6) TRTI continuity is maintained through the proposed exchange parcel near Skyle Lake with Goguen's offer of a permanent trail easement. 7) The TRTI, a critical part of the WSTLNP, will surely come to fruition sooner with Goguen's promised financial boost following the land exchange. . . . the TRTI will become a reality far sooner than without Goguen\'s support, the DNRC will be able to manage recreation fee collection better after the creation of the official TRTI entity, and the community will be blessed with a greatly needed recreation amenity accessibly directly from Whitefish.	2: Oct-Nov 08
72	Pete Costain	36			LEX Criteria	. . . I feel that the benefits for the DNRC and the State of Montana of the Goguen Land Exchange (GLE) far outweigh the negatives: 1) The GLE results in more overall acreage for DNRC. 2) The Commercial Parcel provides obvious long term revenue generation for DNRC. 4) Rural homesites within the Lupfer Parcel provide DNRC with more potential income. 5) The Livermore Flats/Hwy 93 Parcel provides priceless public access to an additional island of DNRC land adjacent to the very popular Spencer Lake DNRC parcel. In short, following the Goguen land exchange, the DNRC will be able to continue to manage land near Whitefish with selective timber harvest and have more available acreage on which to harvest...	2: Oct-Nov 08
73	Pete Costain	36			Recreation	3) The Lupfer Parcel provides another unique recreation zone near Whitefish with Goguen's proposed trail in place. I feel that the Flathead Valley has seen more than enough real estate development recently and that in the foreseeable future development within the valley should lean heavily towards recreation. Let\'s make sure that we give the residents of our recent developments legitimate close-to-town recreation opportunities so future generations do not have to hop fences and ignore No Trespassing signs.	2: Oct-Nov 08
74	Jennifer Croskrey	37	Email		Recreation	I moved to this area bacuase forest lands, trails and open space are an important part of my life. They are also an integral part of the local tourism economy and the Goguen exchange will help to keep our draw as a recreationist\'s paradise alive.	2: Oct-Nov 08
75	Jennifer Croskrey	37			LEX Criteria	The Livermore Flats parcel in particular connects existing state land and provides important highway frontage to a state parcel that has very limited access.	2: Oct-Nov 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
76	Courtney Feldt	38	Email	courtmt@bresnan.net	General	The proposed Goguen/DNRC land exchange is going to benefit the community of Whitefish, the Flathead Valley, and Montana as a whole. I support the land exchange and hope you do also.	2: Oct-Nov 08
77	Courtney Feldt	38			Recreation	The land exchange is the kick start of an amazing trail system that will improve our community by providing open access and recreation to the beautiful areas surrounding our town, while generating income for the school trusts.	2: Oct-Nov 08
78	Courtney Feldt	38			LEX Criteria	The land exchange provides revenue streams that will continue to generate income for the school trust lands in several different capacities. This diversity is important because it allows a variety of ways to generate revenue that will provide balance in a changing economy.	2: Oct-Nov 08
79	Leslie Hunt	39	Email	leslieandwill@hotmail.com	Related Projects and Plans	It would be \"trail breaking\" (no pun intended) if the Land Exchange is passed and the Trail is built. This project is a great model for towns who value their public lands and time spent outdoors. The Goguen Land Exchange would provide a key connection to the north and south sections of the proposed trail.	2: Oct-Nov 08
80	Leslie Hunt	39			General	I encourage you to support the land exchange.	2: Oct-Nov 08
81	Heath Korvola	40	Email	heathkorvola@gmail.com	General	I would like to express my support and that of my wife and family for this project. With an active growing community as we have in Whitefish and the Flathead Valley this is a huge asset and the benefits for all members of the community far outweigh any potential drawbacks.	2: Oct-Nov 08
82	Annelies Pedersen	41	Email	atuinzing@yahoo.com	General	I just wanted to let the interested parties know that I support the proposed land exchange. It will allow a great asset to a part of our community!	2: Oct-Nov 08
83	Mike Powers	42	Email	pmintaly@yahoo.com	General	I think this is a project that is very beneficial to the community and will add a lot of value to our area. I feel other communities will view this as a template for how communities, individuals and local and state agencies can work together to deliver great results. I am all for it.	2: Oct-Nov 08
84	Eliza Schwindt	43	Email	elizaschwindt@hotmail.com	General	I see this as an incredible asset in improving the quality of life here.	2: Oct-Nov 08
85	Eliza Schwindt	43			Recreation	Access enhancement and expansion of the trail systems for recreation are so important in maintaining the integrity of the outdoor lifestyles we lead here. I greatly look forward to utilizing the trails for myself, my community and generation to follow!	2: Oct-Nov 08
86	Eliza Schwindt	43			Purpose and Need	I see this project as pivotal in offsetting all the growth we continue to see with home developers and expanding commercial space.	2: Oct-Nov 08
87	Melanie Toelcke	44	Email	meltoelcke@yahoo.com	Related Projects and Plans	The Goguen Land Exchange meets the criteria outlined in the Whitefish School Trust Lands Neighborhood Plan. The \"Trail Runs Through It\" project is well supported by the exchange. Community contribution will provide funds to purchase state easements for trails and conservation Forest lands, trails and open space are an integral part of the local tourism economy and well being of residents.	2: Oct-Nov 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
88	Melanie Toelcke	44			LEX Criteria	Exchange offers more overall acreage for the state (600 for 440) for revenue generation purposes Lupfer exchange parcel offers three partially developed homesites with roads and utilities, thereby providing additional revenue generating opportunities The Livermore Flats parcel connects existing state land and provides important highway frontage to a state parcel with very limited access The land exchange also results in diversified revenue streams for the state-- lease income home development on (3) prepared lots and a leased commercial building, as examples.	2: Oct-Nov 08
89	Melanie Toelcke	44			Recreation	The land exchange supports another priority of the neighborhood plan, a recreational loop trail connecting state lands and existing trail systems. According to studies the Institute for Tourism and Recreation Research at the University of Montana, out of state visitors to Flathead county spent \$297 million dollars in 2007. Their top attractions: 1) driving for pleasure; 2) wildlife watching and 3) dayhiking.	2: Oct-Nov 08
90	Mike and Patti Frost	45	Email & Letter	Mike and Patti Frost, 445 Antler Ridge Rd, PO Box 4040, Whitefish, MT 59937	General	I strongly support the TRTI project, as well as the proposed DNRC/Goguen land exchange.	2: Oct-Nov 08
91	Mike and Patti Frost	45			Related Projects and Plans	When some Elkhorn property owners and I expressed concerns that the trail route was so close that it might adversely affect the quiet enjoyment for some Elkhorn property owners and could diminish the outdoor experience for trail users, the Trail Runs Through It Steering Committee met with and allowed us a full opportunity to present our position to them. . . . the Steering Committee and others associated with the project went above and beyond the call of duty in their willingness to listen to our concerns and in their efforts to help facilitate a fair resolution. As a result, we arrived at a compromise route that I believe is an improvement over the previous one and helped to resolve some of our concerns.	2: Oct-Nov 08
92	Mike and Patti Frost	45			Wildlife	Although some Elkhorn owners are still worried that the trail could adversely impact wildlife winter habitat, I personally believe that this is a matter more properly left to state and federal wildlife experts to decide. I also believe that proper signage and monitoring of the portion of the trail which goes through deer and elk winter habitat may well be sufficient to mitigate any adverse impacts in this regard.	2: Oct-Nov 08
93	Whitney Boughten	46	Letter	Whitney Boughten, PO Box 4573, Whitefish, MT 59937	Purpose and Need	People like Mr. Goguen come here with a lot of money and they try to take over. The fact of the matter is all these people coming into this valley with big money are trying to turn this valley into California North. This is not what Montana is about. The DNRC and Bob Sandman in particular should get a backbone. It's time for them to stand up to people like Mr. Goguen.	2: Oct-Nov 08
94	Whitney Boughten	46			General	Then after bribing the city of whitefish Mr. Goguen is trying to ram this down the throats of the people living on Lupfer Rd by the cheapest way possible.	2: Oct-Nov 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
95	Whitney Boughten	46			Transportation	The road counts in 2007 for look for Lupfer Rd are over 200 a day. Lupfer Rd is probably the worst maintained road in Flathead County. In the 9 years I've lived here the second half of this road has had absolutely no good gravel put on it. The entire length of this road every corner is less than the required width. Most of the corners are less than 20 feet wide. This road has very poor drainage as the water and snowmelt collects on the road instead of running off to the side. The extra traffic from Mr. Goguen Land exchange is not going to stop at his parcel. The extra traffic will continue down the rest of this road. Lupfer Rd. already provides access to both the Stillwater State Forest into Plum Creek land.	2: Oct-Nov 08
96	Whitney Boughten	46			Transportation	Mr. Goguen should be required to bring the 2.4 miles of unpaved road up to county road standards (width and drainage). Mr. Goguen should be required to have the 2.4 miles of road paved. The condition of his road drives down property values. The added traffic from Mr. Goguen's proposal will only make this problem worse. There are over 20 different houses on this road. The road count in 2007 was over 200 cars a day. This figure doesn't count the 5 lot subdivision approved in April 2007. If he decides he won't fix this road than the DNRC in the State Land Board should reject this land exchange. The amount of time Mr. Goguen has put in trying to get this land swap that if the DNRC and the State Land Board tell him to upgrade and pave the road he will do it. He has the financial resources to pave this road. Not fixing this road is unacceptable.	2: Oct-Nov 08
97	Whitney Boughten	46			Air Quality	The facts are Flathead County is already violating the Montana Constitution in regards to a clean and healthful environment. The State of Montana and Flathead County are also in violation of US environmental laws with regard to dust pollution. Dust control is not acceptable it's a waste of time and money.	2: Oct-Nov 08
98	Whitney Boughten	46			LEX Criteria	The benefits of this land exchange are heavy in favor of Mr. Goguen.	2: Oct-Nov 08
99	Whitney Boughten	46			Wildlife	The DNRC also needs to commit to keeping the acreage on Lupfer Road is open space for wildlife.	2: Oct-Nov 08
100	June Munski-Feema	47	Letter		Purpose and Need	Keep our land as is. We don't want anyone getting so much land tied up around Beaver Lake--how do you know what he will do with it? We don't need to always be making the most money off our lands!!	2: Oct-Nov 08
101	Brian Hobday	48	Letter	FH Stoltze Land & Lumber Co, PO Box 1429, Columbia Falls, MT 59912	LEX Criteria	This land trade needs to be assessed carefully by the Land Board to ensure that it is truly in the best interest of the State to proceed with the exchange. The seven exchange criteria must be analyzed from the Montana Land Exchange Policy. 1) Equal or Greater Value - This will have to be determined by appraisals based on current market conditions both for land values and natural resource values. Adding in the commercial building to the exchange will require the rental situation of Whitefish to be considered as well. 2) State Land Bordering on Navigable Lakes & Streams - This does not seem to be an issue because the four parcels in consideration do not border any navigable lakes or streams. Something to consider would be the current and future use of the beaver lake and the access road to south beaver lake through the state parcel.	2: Oct-Nov 08

Record #	Respondent Name	Public ID#	Method	Contact address	Topic	Comment	Scoping Period
102	Brian Hobday	48			LEX Criteria	3) Equal or Greater Income to the State – Present value must be looked at as well as future values to determine this criteria. Current timber stand, growth rates, species composition should be factors in the comparison of the parcels to be traded. 4) Equal or Greater Acreage – The state would get ownership to an additional 162 acres as a result of this exchange. This could prove to be beneficial depending on the future value of the lands that the state would receive in the exchange. 5) Consolidation of State Lands – this criterion is of concern when looking at the potential parcels for trade. Currently, the 435 acre parcel owned by the state has is congruent with a large block of state land making management and administration of the parcel easier and more cost affective. The Hwy 93 parcel will connect to another parcel of State Trust land. This would most likely result in access to that parcel that may or may not have had access to prior to this exchange. The Lupfer parcel would be an isolated State Trust parcel even though it would be in close proximity to other State Trust lands.	2: Oct-Nov 08
103	Brian Hobday	48			LEX Criteria	6) Potential for Long Term Appreciation – This criterion poses concern as well when looking at the parcels proposed for trade. The location of the 435 acre State Trust parcel is in close proximity to Whitefish Lake, Beaver and Skyles Lake. The future value of this property is hard to estimate but will most likely have considerably higher per/ acre values than the two land parcels that are owned by Mr. Goguen. The Lupfer property is regulated by a conservation easement that would be transferred to the State if traded for. This conservation easement could hinder or mitigate management options available to the State. The parcel is also bordered by approximately two miles of railroad tracks adding a noise level that could be a deterrent to future purchasers.	2: Oct-Nov 08
104	Brian Hobday	48			LEX Criteria	7) Access - This exchange could result of needed or further access the parcel located in section 6 of T30N R22W with the addition of the Highway 93 parcel to the State Trust lands. There seems to be much concern with the increased traffic to Lupfer road . . . Many are calling for the road to be paved.... The cost of paving this road or dust application should not be burdened to the State. Future costs of maintenance to the road would have to be considered as well. Finally access to Beaver Lake via the south road through the 435 acre State Trust parcel would be lost to the public. As I understand it, there would be a non-motorized trail through the property, but motorized access to the lake from the south beaver lake road would be closed to the public. “A trail runs through it” should NOT be a factor in this decision; these are State Trust forests that serve the purpose of generating money for schools. Although recreation is a valuable part of state lands, this trail project would not be contributing to the purpose of State Trust forests.	2: Oct-Nov 08

APPENDIX C

Economics Analysis

Goguen-DNRC Land Exchange: Economic Analysis

December 2008

ECONorthwest
ECONOMICS • FINANCE • PLANNING

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SUMMARY AND CONTACT INFORMATION

This report was prepared by Ernie Niemi, Sarah Reich, and Jacquie Dodd of ECONorthwest, which is solely responsible for its content.

ECONorthwest (ECO) specializes in the economic and financial analysis of public policy. ECO has analyzed the economics of resource-management, land-use development, and growth-management issues for municipalities, state and federal agencies, and private clients for more than 30 years.

Throughout the report we have identified our sources of information and assumptions used in the analysis. Within the limitations imposed by uncertainty and the project budget, ECO has made every effort to check the reasonableness of the data and assumptions. In our analysis, we acknowledge that any forecast of the future is uncertain. The fact that we evaluate assumptions as reasonable does not guarantee that those assumptions will prevail. The analysis reflects the financial information relevant to the analysis, but does not address other economic factors that might be relevant to the analysis.

We gratefully acknowledge the assistance of the individuals who provided us with information and insight, but emphasize that we, alone, are responsible for the report's contents. We have prepared this report based on our general knowledge, and information derived from government agencies, the reports of others, interviews of individuals, or other sources believed to be reliable. ECO has not verified the accuracy of such information, however, and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

Based on the analysis presented in this report, we conclude that that the Goguen parcels, together, produce a higher net present value, a higher income return, and a higher total return-on-asset than the state parcel.

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I. INTRODUCTION AND BACKGROUND

The Montana Department of Natural Resources and Conservation (DNRC), through its prime contractor, PBS&J, requested ECONorthwest (ECO) to perform an economic analysis of the proposed land exchange between the DNRC and Michael Goguen, a private landholder. Four parcels are involved in the exchange: three private parcels currently owned by Mr. Goguen, and one public parcel currently owned by the state of Montana. All of the parcels involved in the proposed land exchange are located in northwestern Montana, near Whitefish.

The state of Montana requires the DNRC to rely, in part, on economic criteria to evaluate the proposed land exchange. The Montana Board of Land Commissioners Land Exchange Policy identifies three specific criteria that DNRC must consider:¹

1. The land exchange results in a greater economic value to the State Trust;
2. The land exchange results in greater future income to the State Trust; and
3. The land exchange results in greater potential for long-term appreciation.

This economic analysis provides information to allow the DNRC to evaluate the land exchange against these criteria. In our analysis below, we describe the methodology we use to perform the analysis, the assumptions we make regarding sources of income and expenses for each parcel, our conclusions related to each of the criteria outlined above, and a discussion of sources of uncertain and risk that may affect the results of the economic analysis.

II. METHODOLOGY

Our economic analysis employs a spreadsheet model developed by Jordan Larson, a resource economist with the DNRC. Using the model, we calculate the net present value, potential income streams, and estimated expenses associated with managing each parcel. We also calculate the total expected return on the asset. We worked directly with the DNRC to identify the assumptions for the model, including the time period of the analysis, the discount rate, the inflation rate, and the appreciation rate, as well as the assumptions related to the sources of income and expenses for each parcel. We describe our assumptions in more detail below.

A. Time Period of the Analysis

The DNRC evaluates land exchanges involving timber-production parcels based on a 60-year time horizon. It evaluates commercial parcels on a shorter 20-year time horizon. This analysis involves three parcels for which timber-production is

¹ Montana Board of Land Commissioners. 2004. *Land Exchange Policy*. December.

a primary source of income, and one parcel that involves a commercial property in an urban area. To satisfy both time horizons, we present two analyses:

- In the first analysis, we consider the analysis for all four parcels over 20 years.
- In the second analysis, we assume that the commercial property is sold within the first 20 years and perform the analysis on the remaining three timber-production parcels over the 60-year time period.

B. Discount Rate

We use a nominal discount rate of 5.4 percent. This discount rate has recently been used by Montana DNRC. It represents a baseline accounting of the agency's investment opportunity cost, or the threshold for an acceptable rate of return, based on the long-term government bond geometric average return from 1926 to 2006.² The justification for using long-term government bond rates is that most state investment pools, including the permanent school trust fund, are legally required to invest in bonds and not stocks.³

C. Inflation Rate

We use an inflation rate of 3 percent, which is the long-term average of annual inflation, as measured by the Consumer Price Index between 1913 and 2007.⁴

D. Appreciation Rate

We use an appreciation rate of 4 percent, which is the rate DNRC typically uses in its return-on-asset calculations.⁵

III. DESCRIPTION OF THE PARCELS AND ASSUMPTIONS

Mr. Goguen is offering DNRC three parcels: a 570+/- acre forested parcel located off of Lupfer Road (the Lupfer Road parcel), a 30+/- acre forested and cropland parcel located off of Highway 93 (the Highway 93 parcel) and a commercial property located at 140 Lupfer Avenue (the commercial parcel). In exchange, the state is offering a 440+/- acre forested parcel in the Beaver Lakes area (the state parcel). In the following sections, we describe the characteristics of each that are

² Ibbotson. 2007. *Stocks Bonds Bills and Inflation*. December Market Report for 2006. Table 7.

³ Personal communication with Jordan Larson, Resource Economist, Montana DNRC. November 21, 2008.

⁴ U.S. Department of Labor, Bureau of Labor Statistics. *Consumer Price Index Historical Data*. Retrieved November 21, 2008, from <http://www.bls.gov/CPI/>

⁵ Personal communication with Jordan Larson, Resource Economist, Montana DNRC. December 2, 2008.

relevant to the economic analysis, including potential income-generating activities, potential expenses, and other assumptions for each.

A. Private Land – Goguen Parcels

1. 570+/- Acres on Lupfer Road (The Lupfer Road Parcel)

This is a forested property with a system of low-standard forest roads that can support low-volume traffic use. The property currently has no structures. Before transfer to the state, Mr. Goguen would develop a parking lot and a 6-mile recreational loop trail. The trail would be managed through a land-use license with the City of Whitefish and its partners. In addition, the property would support three residential leases. Mr. Goguen would develop roads and utilities for the three residential lots prior to transfer. An appraisal valued the property, based on its potential full build-out, at \$4,720,000.⁶ Three management uses on this parcel would generate revenue: forest-product sales, recreational leases, and residential leases.

Forest-Product Sales. The DNRC would manage approximately 543 acres of the property for timber production. Of this, 473 acres would be harvested through commercial thinning in 20 years, and again in 40 years. Each harvest would involve individual tree selection intended to develop an unevenaged forest stand with characteristics of an old-growth forest. The DNRC would leave 70 acres unharvested for 60 years to encourage the development of naturally-occurring old-growth characteristics. The primary species on the parcel are Douglas Fir, Engleman Spruce, Lodgepole Pine, and Western larch.⁷ For the timber harvest activities, we assume revenues of \$225 per thousand board-feet (MBF)⁸ and total expenses of \$130 per MBF.⁹ Although salvage logging may occur between scheduled entries, we do not include income or expenses from these potential activities. Table 1 summarizes the assumptions we use for the forest-products sales on this parcel.

Recreational Leases. Two types of recreational leases are planned for the Lupfer Road parcel. The first is a recreational lease for the 6-mile recreational loop trail.

⁶ Kelley, J.O. 2008. *Real Estate Appraisal Report: 434.757+/- Acres, Two Bear Trail, Whitefish, MT.* October 14.

⁷ Montana Department of Natural Resources and Conservation. 2008. *Timber Cruise Summary for Parcels of Proposed Goguen Land Exchange.*

⁸ Personal communication with Jordan Larson, Resource Economist, Montana DNRC. November 24, 2008 and stumpage price data from the Northwest Land Office, as reported in Mason, Bruce, & Girard. 2004. *2004 Sustained Yield Calculation.* Montana Department of Natural Resources. November 20. Table 3.1 "1990-2002 Average Stumpage Price By Land Office." Page 19.

⁹ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. December 2, 2008.

Table 1. Timber Management Assumptions for the Lupfer Road Parcel

Stand	Acres	Next Entry	Estimated Yield	Total Income	Total Expenses
1-4	473	20 years	3.5 MBF/acre	\$372,488	\$214,500
1-4	473	40 years	2.5 MBF/acre	\$266,063	\$153,400
5	70	60 years	4 MBF/acre	\$63,000	\$36,400

Source: Northwest Management Inc. No Date. *Goguen Forest and Timber Management Plan*. and Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 3, 2008.

DNRC would receive \$200 per mile, or \$1,200, each year for this lease.¹⁰ We assume the City of Whitefish and its partners would incur the costs associated with annual upkeep and maintenance of the trail.

The second type of recreational lease involves individual and family recreational-use licenses. These licenses are required for any person age 12 or older to use state land for general recreational purposes.¹¹ The Department of Fish, Wildlife, and Parks (DFWP) sells the licenses through authorized dealers for \$10 per year for an individual license and \$20 per year for a family license.¹² DFWP's conservation licenses, required for hunting and fishing activities, also generates \$2 per license for state trust lands. The revenue from these licenses (\$1,092,280 in FY2007¹³) is collected state-wide and redistributed to the recreational use lands held by the state in trust (acreage varies from year to year, but approximately 4.5 million acres¹⁴). Thus, this source of revenue is not tied specifically to the parcel, and typically amounts to very little value per acre.¹⁵ Unless the acquisition of this parcel increases the total number of recreational licenses sold by DFWP – and if it did, the marginal increase would likely be trivial – this source of income is

¹⁰ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 24, 2008.

¹¹ Montana Department of Natural Resources and Conservation, Trust Land Management Division. 2008. *Recreational Use of State School Trust Land*. Retrieved November 25, 2008, from <http://dnrc.mt.gov/trust/REMB/statues/recreationaluse.asp>

¹² Montana Fish, Wildlife, and Parks. 2008. *State Land Use Permits*. Retrieved November 24, 2008, from <http://fwp.mt.gov/recreation/permits/stateLandUse.html>

¹³ Montana Department of Natural Resources and Conservation, Trust Land Management Division. 2008. *Fiscal Year 2007 Annual Report*.

¹⁴ State trust lands open to recreational use exclude agricultural lands between planting and harvest, land leased for home sites or cabins, and land used for active military purposes or commercial purposes. (Montana Department of Natural Resources and Conservation, Trust Land Management Division. 2008. *Recreational Use of State School Trust Land*. Retrieved November 25, 2008, from <http://dnrc.mt.gov/trust/REMB/statues/recreationaluse.asp>)

¹⁵ Personal communication with Jordan Larson, Resource Economist, Montana DNRC. November 24, 2008.

Table 2. Recreational Lease Assumptions for the Lupfer Road Parcel

Recreational Lease	Total Value
Recreational lease for trail	\$1,200 per year
General recreation licenses	Inconsequential

Source: Personal Communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 24, 2008.

inconsequential to this analysis. Table 2 summarizes the potential income we use in the economic analysis associated with the recreational leases.

Residential Leases. For this analysis, we assume DNRC plans to lease three one-acre homesites on the property. The road and utilities to the homesites would be developed by Mr. Goguen prior to transfer. The cost to develop and maintain the homesites themselves would be borne by the lessee. The DNRC leases homesites at 5 percent of the non-improved taxable value of the lot.¹⁶ We do not currently know exactly what the market value of any given one-acre of the parcel would be, however, recent appraisals of the parcel found the per-acre value of the property ranges from \$7,447 when considering the parcel as a whole, to \$16,600 when considering the smaller lots.¹⁷ In the absence of an appraisal for each potential one-acre lot, we assume that all three homesites would lease for 5 percent of \$16,600, or \$830 per year. Other one-acre lots in the vicinity are currently on the market for between approximately \$20,000 and \$100,000 or more.¹⁸ Lots on the upper end of this range typically have utilities, views, are close into town in platted subdivisions, or have access to water or other amenities. Because these lots on the Lupfer Road parcel would have comparably fewer amenities, they probably fall on the lower end of this range, although our assumption is likely a lower-bound estimate. Table 3 summarizes our assumptions for the residential leases for this parcel.

Table 3. Residential Lease Assumptions for the Lupfer Road Parcel

Residential Leases	Per-Unit Value	Total Value
3 one-acre homesites	\$830 per year	\$2,490 per year

Source: Personal Communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 24, 2008 and Kelley, J.O. 2008. *Real Estate Appraisal Report: 434.757+/- Acres, Two Bear Trail, Whitefish, MT.* October 14.

¹⁶ Montana Department of Natural Resources and Conservation. No Date. *Sample Terms and Conditions-DNRC Residential Lease Lots*. Retrieved December 2, 2008, from <http://www.dnrc.mt.gov/cabinsite/documents/terms.pdf>

¹⁷ Kelley, J.O. 2008. *Real Estate Appraisal Report: 434.757+/- Acres, Two Bear Trail, Whitefish, MT.* October 14.

¹⁸ See, for example, properties listed on real estate websites in the Whitefish area.

2. 30+/- Acres on Highway 93 (the Highway 93 parcel)

This parcel consists of 24 acres of cropland and five acres of land in timber production. The Montana Department of Revenue classifies the cropland as wild hay, and assumes a yield of two tons per acre. An appraisal valued the property based on its highest and best use for residential development at \$510,000.¹⁹ Three management uses would generate income on this parcel: forest-product sales, an agricultural lease, and recreational-use licenses. Table 4 summarizes our assumptions for the income and expenses associated with this parcel.

Forest-Products Sales. Approximately six acres of the property would be managed for timber production. Harvest would occur on five acres in 20 years, producing an estimated yield of six MBF per acre, or a total of 30 MBF.²⁰ The primary species are Engleman Spruce, Lodgepole Pine, and Western Larch.²¹ For the timber harvest activities, we assume revenues of \$225 per MBF²² and total expenses of \$130 per MBF.²³

Agricultural Lease. The DNRC's Trust Land Management Division leases agricultural lands for crop production. The majority of the leases are valued on a 25-percent crop-share basis, which means the lease provides for a specific percentage of the crop – in this case, 25 percent – to go to the landlord for the use

Table 4. Assumptions for the Highway 93 Parcel

Income Source	Description	Total Income	Total Expense
Forest-Product Sales	30 MBF	\$6,750	\$3,900
Agricultural Lease	Wild hay 25% crop share	\$1,800	N/A
Recreational Use			Inconsequential

Source: ECONorthwest, with data from sources described in the text.

¹⁹ Kelley, J.O. 2008. *Real Estate Appraisal Report: 29.89+/- Acres, 3375 Highway 93 West, Whitefish, MT.* March 4.

²⁰ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 3, 2008.

²¹ Montana Department of Natural Resources and Conservation. 2008. *Timber Cruise Summary for Parcels of Proposed Goguen Land Exchange.*

²² Personal communication with Jordan Larson, Resource Economist, Montana DNRC. November 24, 2008 and stumpage price data from the Northwest Land Office, as reported in Mason, Bruce, & Girard. 2004. *2004 Sustained Yield Calculation.* Montana Department of Natural Resources. November 20. Table 3.1 "1990-2002 Average Stumpage Price By Land Office." Page 19.

²³ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. December 2, 2008.

of the land.²⁴ To value the lease, we assume that the agricultural portion of the parcel would continue to produce wild hay at two tons per acre. The Department of Revenue currently values wild hay at \$150 per ton.²⁵ The value of the lease, therefore, would be approximately \$1,800 per year.²⁶

Recreational Use. We use the same assumptions for the recreational lease on this parcel as we describe above for the Lupfer Road parcel. Based on those assumptions, the income from the recreational use of this property would be inconsequential.

3. 140 Lupfer Road Commercial Property (The Commercial Parcel)

This property has a commercial building on 0.043 acres. The building was built in 2004 and the property was recently appraised at \$360,000. It currently leases for \$2,300 per month (\$27,600 per year) to the Glacier Restaurant Group.²⁷ Mr. Goguen has committed to guarantee net lease revenue of \$30,000 for a ten-year period.²⁸ For this analysis, we assume that the DNRC leases the property and receives a net income of \$30,000 per year for the next ten years. After the tenth year, we assume that the DNRC sells the property and recovers its current market value. Any potential depreciation over this period would be covered by the net revenue generated by the property. We consider this to be a lower-bound estimate.

B. Public Land Parcels

1. 440 Acres on Two Bear Trail (The State Parcel)

This is a forested property with a high-standard road built to county specifications and a forest road network designed to accommodate forest-management actions and comply with best management practices (BMPs). Two residences could be built on the property, and the DNRC currently anticipates leasing two one-acre lots for residential development. An appraisal valued the

²⁴ Montana Department of Natural Resources and Conservation, Trust Land Management Division. 2008. *Agriculture and Grazing Management*. Retrieved December 2, 2008, from <http://www.dnrc.mt.gov/trust/agm/Default.asp>

²⁵ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 24, 2008.

²⁶ $24 \text{ acres} * 2 \text{ tons/acre} * \$150/\text{ton} = \$7,200 * 0.25 = \$1,800$

²⁷ Kelley, J.O. 2008. *Real Estate Appraisal Report: Office Building 140 Lupfer Avenue, Whitefish, MT*. March 6.

²⁸ Goguen, M. 2008. *Commitment to Cover Lease Payments to 140 Lupfer Avenue*. Letter to B. Sandman, DNRC. December 1.

property, based on its full build-out, at \$5,550,000.²⁹ Three management uses on this parcel would generate revenue: forest-product sales, recreational leases, and residential leases.

Forest-Products Sales. Approximately 430 acres of the property would be managed for timber production. DNRC has recommended harvest activities in six stands over the next sixty years. In general, the property would be managed on a 60-year rotation.³⁰ The primary species on this parcel are Douglas Fir, Western Larch, and Lodgepole Pine.³¹ For the timber-harvest activities, we assume revenues of \$225 per MBF³² and total expenses of \$130 per MBF.³³ Table 5 summarizes the assumptions we use for the forest-products sales on this parcel.

Table 5. Timber Management Assumptions for the State Parcel

Stand	Acres	Next Entry	Estimated Yield	Total Income	Total Expenses
1A	E. 51 acres	10 years	6 MBF/acre	\$68,850	\$39,780
1A	W. 40 acres	30 years	6 MBF/acre	\$20,475	\$11,830
2	13 acres	10 years	7 MBF/acre	\$17,550	\$10,140
2	26 acres	30 years	8 MBF/acre	\$9,000	\$5,200
3	53 acres	30 years	6 MBF/acre	\$54,000	\$31,200
4A, 4B	26 acres	10 years	3 MBF/acre	\$46,800	\$27,040
5, 1B	26 acres	30 years	5 MBF/acre	\$71,550	\$41,340
5, 1B	10 acres	10 years	4 MBF/acre	\$29,250	\$16,900
Remaining Stands	188 acres	52 years	8 MBF/acre	\$337,500	\$195,500

Source: Communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 3, 2008.

²⁹ Kelley, J.O. 2008. *Real Estate Appraisal Report: 434.757+/- Acres, Two Bear Trail, Whitefish, MT.* October 14.

³⁰ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 3, 2008.

³¹ Montana Department of Natural Resources and Conservation. 2008. *Timber Cruise Summary for Parcels of Proposed Goguen Land Exchange.*

³² Personal communication with Jordan Larson, Resource Economist, Montana DNRC. November 24, 2008 and stumpage price data from the Northwest Land Office, as reported in Mason, Bruce, & Girard. 2004. *2004 Sustained Yield Calculation.* Montana Department of Natural Resources. November 20. Table 3.1 "1990-2002 Average Stumpage Price By Land Office." Page 19.

³³ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. December 2, 2008.

Table 6. Residential Lease Assumptions for the State Parcel

Residential Leases	Per-Unit Value	Total Value
2 one-acre homesites	\$1,100 per year	\$2,200 per year

Source: Personal Communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 24, 2008 and Kelley, J.O. 2008. *Real Estate Appraisal Report: 434.757+/- Acres, Two Bear Trail, Whitefish, MT.* October 14.

Residential Leases. We assume that, absent the transfer, DNRC would execute its plans to lease two one-acre homesites on the property. Although much of the infrastructure is in place to accommodate the residential development, new homesites would require access driveways and electrical power hook-ups. We assume the lessee would bear these costs, as well as the cost to develop any structures. The DNRC leases homesites at 5 percent of the non-improved taxable value of the lot.³⁴ We do not currently know exactly what the market value of any given one-acre of the parcel would be. Recent appraisals of the parcel found the per-acre value of the property ranges from \$11,785 when considering the parcel as a whole, to \$22,000 when considering the smaller lots.³⁵ In the absence of an appraisal for each potential one-acre lot, we assume that both homesites would lease for 5 percent of \$22,000, or \$1,100 per year. Other one-acre lots in the vicinity are currently on the market for between approximately \$20,000 and \$100,000 or more.³⁶ Lots on the upper end of this range typically have utilities, views, are close into town in platted subdivisions, or have access to water or other amenities. Because these lots would have comparably fewer amenities, these lots probably fall on the low end of this range, although our assumption is likely a lower-bound estimate. Table 6 summarizes our assumptions for the residential leases for this parcel.

Recreational Use. We use the same assumptions for the recreational lease on this parcel as we describe above for the Lupfer Road parcel. Based on those assumptions, the income from the recreational use of this property would be inconsequential.

IV. RESULTS OF THE ECONOMIC ANALYSIS

Table 7 presents the results of the economic analysis for each parcel. We present two analyses: one for a 20-year period of time that includes all four parcels; the other for a 60-year period of time. For the latter analysis we assume that the DNRC sells the commercial property for its assessed market value of \$360,000 during the first 20 years.

³⁴ Personal communication with Brian Manning, Unit Manager, Stillwater State Forest, Montana DNRC. November 3, 2008.

³⁵ Kelley, J.O. 2008. *Real Estate Appraisal Report: 434.757+/- Acres, Two Bear Trail, Whitefish, MT.* October 14.

³⁶ See, for example, properties listed on real estate websites in the Whitefish area.

Table 7. Results of the Economic Analysis

Parcel Name	Appraised value	Net Present Value	Income Return	Total Return on Asset
20-Year Analysis				
Goguen Parcels				
<i>Lupfer Road Parcel</i>	\$4,720,000	\$150,841	0.41%	4.41%
<i>Highway 93 Parcel</i>	\$510,000	\$29,417	0.54%	4.54%
<i>Commercial Parcel</i>	\$360,000	\$419,368	9.17%	13.17%
State Parcel	\$5,500,000	\$71,622	0.11%	4.11%
60-Year Analysis				
Goguen Parcels				
<i>Lupfer Road Parcel</i>	\$4,720,000	\$250,280	0.50%	4.50%
<i>Highway 93 Parcel</i>	\$510,000	\$55,728	1.00%	5.00%
<i>Commercial Parcel</i>	\$360,000	\$419,368	9.17%	13.17%
State Parcel	\$5,500,000	\$178,809	0.39%	4.39%

Source: ECONorthwest

For both periods of analysis, the Goguen parcels, together, produce a higher net present value, a higher income return, and a higher total return-on-asset than the state parcel. The appraised value of the Goguen parcels totals \$5,590,000, which is \$90,000 greater than the appraised value of the state parcel. In the 20-year analysis, the net present value of the Goguen parcels totals \$599,626, compared to \$71,622 for the state parcel. In the 60-year analysis, the net present value of the Goguen parcels totals \$725,376, compared to \$178,809 for the state parcel.

In addition to the income streams presented in this analysis, there are other elements of value associated with each parcel that are not reflected explicitly in this economic analysis. The spreadsheet model only accounts for direct financial benefits and costs associated with the parcels. The parcels – especially the three undeveloped parcels – produce other goods and services that are not accounted for through the model’s conventional financial analysis. One example that is directly relevant to this analysis is the value of recreation associated with each parcel. In the analysis, we assume the value is inconsequential, because the analysis is based on the income that the sale of recreational-use licenses would produce for the state. Although recreational users pay an annual fee to access all state lands for recreation, including these parcels, this fee does not represent the full economic value potential recreational users likely place on recreational opportunities provided by these parcels. Recreational users are likely willing to pay much more than the annual license fee to access the parcels for recreation, and, if measured in economic terms, this value would be closer to the full economic benefit generated for Montanans by recreational use of the parcels.

Similarly, the parcels provide other goods and services valuable to Montanans, but which don't generate annual income for the state and, thus, are not captured in this economic analysis. These include habitat for fish and wildlife, clean water and air, and amenities that contribute to the high quality of life that Montanans enjoy. Although we were not asked to attempt to quantify the value of these other non-financial benefits of each parcel, we urge decision-makers to acknowledge that the values reflected in this economic analysis represent a subset of the full economic benefits provided by the parcels, and the actual economic benefits to the state from any particular parcel could be higher – in some cases substantially higher – than reported here.

V. UNCERTAINTY AND RISK

There are numerous sources of uncertainty and risk that may affect, positively or negatively, the value of the parcels. The primary sources of uncertainty include:

- **Lack of site-specific data.** Many of our assumptions of per-unit values, costs, and income are based on average values that may vary, either positively or negatively for any given parcel. Timber-harvest costs, for example, are based on average estimates from average terrain for the region, and may underestimate or overestimate the actual costs for harvesting a particular stand on any of the parcels in this analysis. Similarly, the estimate of harvest revenue is based on an average stumpage value over a period of time, and may overestimate or underestimate the actual stumpage value received in any given year for any given stand of trees. In addition, all harvest schedules used in the analysis are preliminary and may be revised when specific timber-management plans are drafted for each parcel.
- **Potential changes in future values due to trends and fluctuations in the agricultural, timber, and real-estate markets.** Specific kinds of risk and uncertainty most relevant to this analysis include forces that affect demand for timber and the price of timber. These include national and international factors, such as the on-going national housing decline, which has resulted in a decrease in the demand for timber, and the increasing supply of cheaper timber from other parts of the nation and the world. Important local forces can also affect the economics of producing timber, including the access to local mills, which have been hit hard by recent declines in the national market for lumber.³⁷ In Montana, local mill closings may increase the cost of producing timber, making it less competitive relative to timber from other locations. Similar sources of uncertainty surround the value of the agricultural lease, which is based on an average market price for wild hay, and the value of the residential

³⁷ Moore, M. 2008. "Lumber Industry Downturn Hits Montana Hard." *Missoulian*. November 19. Retrieved November 24, 2008, from <http://www.missoulian.com/articles/2008/11/19/news/local/news02.txt>

homesites and the commercial property, which are subject to trends in the real-estate market.

- **Potential changes in future values due to external forces, such as changes in climate or the socio-economic structure of the region.**

Potential impacts associated with climate change may affect the assumptions in the analysis, particularly related to timber management. Increased temperatures and changes in snowpack and runoff timing predicted in northwestern Montana as a result of climate change are likely to increase the risk of wildfire and susceptibility to diseases for Montana's forests. This may have dramatic impacts on the management costs and expected future harvest revenues from the forest parcels involved in this analysis. Damage from fire, insects, or disease infestation may reduce expected yields, reducing revenues. Conversely, these impacts may increase management costs. Both of these effects would reduce the expected income from forest product sales projected in this analysis.

The uncertainty in our findings stems from factors beyond our, or anyone else's current knowledge or control. These elements of uncertainty, ranging from future market conditions and fluctuations in commodity prices to how climate change will affect the quality of timber and agricultural yields in Montana, will affect investment decisions made at any given time and place. We stress that these elements of uncertainty are important to recognize, understand, and integrate into the decision-making process, as they have direct bearing on the level of risk inherent in any potential investment.

ATTACHMENTS

1. Model calculations for the Goguen Lupfer Road parcel
2. Model calculations for the Goguen Highway 93 parcel
3. Model calculations for the Goguen Commercial parcel
4. Model calculations for the State parcel



Land Acquisition Financial Appraisal

Land Information

Project Name: **Goguen Land Exchange**
 Land Office:
 Date: 12/2/08
 Preparer: ECONorthwest
 Parcel name: **Lupfer Road Parcel**
 County: **Flathead County**
 Township, Range, Section: **T31N R23W Sec 2, 11**
 Acres: **570 +/-**
 Appraised Value: **\$4,720,000**
 Annual Income: **\$3,690**
 Annual Expense:
 Appreciation Rate: **4.00%**
 Discount Rate: **5.40%**
 CPI Inflation: **3.00%**

Time	Cash Flow				Activities	Value and Income		Cash Flow Analysis		Equity Analysis	
Years (t)	Operating Income	Operating Expense	Other Income	Other Expense	Description of Activity	Asset Value	Net Income	NPV	Income Return	Capital Return	Total Return (ROA)
0	\$0	\$0				\$4,720,000	\$0	\$0	0.00%	0.00%	0.00%
1	\$3,801	\$0			Annual recreational-use lease for trail (\$200/mile)		\$3,801	\$3,595	0.08%	4.00%	4.08%
2	\$3,915	\$0			Annual homestead lease (3 leases @ \$830/year)		\$3,915	\$3,503	0.08%	4.00%	4.08%
3	\$4,032	\$0					\$4,032	\$3,414	0.09%	4.00%	4.09%
4	\$4,153	\$0					\$4,153	\$3,326	0.09%	4.00%	4.09%
5	\$4,278	\$0					\$4,278	\$3,241	0.09%	4.00%	4.09%
6	\$4,406	\$0					\$4,406	\$3,158	0.09%	4.00%	4.09%
7	\$4,538	\$0					\$4,538	\$3,077	0.10%	4.00%	4.10%
8	\$4,674	\$0					\$4,674	\$2,998	0.10%	4.00%	4.10%
9	\$4,815	\$0					\$4,815	\$2,921	0.10%	4.00%	4.10%
10	\$4,959	\$0					\$4,959	\$2,846	0.11%	4.00%	4.11%
11	\$5,108	\$0					\$5,108	\$2,774	0.11%	4.00%	4.11%
12	\$5,261	\$0					\$5,261	\$2,703	0.11%	4.00%	4.11%
13	\$5,419	\$0					\$5,419	\$2,633	0.11%	4.00%	4.11%
14	\$5,581	\$0					\$5,581	\$2,566	0.12%	4.00%	4.12%
15	\$5,749	\$0					\$5,749	\$2,500	0.12%	4.00%	4.12%
16	\$5,921	\$0					\$5,921	\$2,436	0.13%	4.00%	4.13%
17	\$6,099	\$0					\$6,099	\$2,374	0.13%	4.00%	4.13%
18	\$6,282	\$0					\$6,282	\$2,313	0.13%	4.00%	4.13%
19	\$6,470	\$0					\$6,470	\$2,254	0.14%	4.00%	4.14%
20	\$6,665	\$0	\$672,755	\$387,411	Harvest 1.65 MMBF @ \$225/MBF with cost of \$130/MBF		\$292,008	\$96,210	6.19%	4.00%	10.19%
21	\$6,864	\$0					\$6,864	\$2,140	0.15%	4.00%	4.15%
22	\$7,070	\$0					\$7,070	\$2,085	0.15%	4.00%	4.15%
23	\$7,283	\$0					\$7,283	\$2,031	0.15%	4.00%	4.15%
24	\$7,501	\$0					\$7,501	\$1,979	0.16%	4.00%	4.16%
25	\$7,726	\$0					\$7,726	\$1,929	0.16%	4.00%	4.16%
26	\$7,958	\$0					\$7,958	\$1,879	0.17%	4.00%	4.17%
27	\$8,197	\$0					\$8,197	\$1,831	0.17%	4.00%	4.17%
28	\$8,442	\$0					\$8,442	\$1,784	0.18%	4.00%	4.18%
29	\$8,696	\$0					\$8,696	\$1,738	0.18%	4.00%	4.18%
30	\$8,957	\$0					\$8,957	\$1,694	0.19%	4.00%	4.19%
31	\$9,225	\$0					\$9,225	\$1,650	0.20%	4.00%	4.20%
32	\$9,502	\$0					\$9,502	\$1,608	0.20%	4.00%	4.20%
33	\$9,787	\$0					\$9,787	\$1,567	0.21%	4.00%	4.21%
34	\$10,081	\$0					\$10,081	\$1,527	0.21%	4.00%	4.21%
35	\$10,383	\$0					\$10,383	\$1,488	0.22%	4.00%	4.22%
36	\$10,695	\$0					\$10,695	\$1,450	0.23%	4.00%	4.23%
37	\$11,015	\$0					\$11,015	\$1,412	0.23%	4.00%	4.23%
38	\$11,346	\$0					\$11,346	\$1,376	0.24%	4.00%	4.24%
39	\$11,686	\$0					\$11,686	\$1,341	0.25%	4.00%	4.25%
40	\$12,037	\$0	\$867,908	\$500,397	Harvest 1.18 MMBF @ \$225/MBF with cost of \$130/MBF		\$379,548	\$41,201	8.04%	4.00%	12.04%
41	\$12,398	\$0					\$12,398	\$1,273	0.26%	4.00%	4.26%
42	\$12,770	\$0					\$12,770	\$1,241	0.27%	4.00%	4.27%
43	\$13,153	\$0					\$13,153	\$1,209	0.28%	4.00%	4.28%
44	\$13,548	\$0					\$13,548	\$1,178	0.29%	4.00%	4.29%
45	\$13,954	\$0					\$13,954	\$1,148	0.30%	4.00%	4.30%
46	\$14,373	\$0					\$14,373	\$1,118	0.30%	4.00%	4.30%
47	\$14,804	\$0					\$14,804	\$1,090	0.31%	4.00%	4.31%
48	\$15,248	\$0					\$15,248	\$1,062	0.32%	4.00%	4.32%
49	\$15,705	\$0					\$15,705	\$1,034	0.33%	4.00%	4.33%
50	\$16,177	\$0					\$16,177	\$1,008	0.34%	4.00%	4.34%
51	\$16,662	\$0					\$16,662	\$982	0.35%	4.00%	4.35%
52	\$17,162	\$0					\$17,162	\$957	0.36%	4.00%	4.36%
53	\$17,677	\$0					\$17,677	\$932	0.37%	4.00%	4.37%
54	\$18,207	\$0					\$18,207	\$909	0.39%	4.00%	4.39%
55	\$18,753	\$0					\$18,753	\$885	0.40%	4.00%	4.40%
56	\$19,316	\$0					\$19,316	\$863	0.41%	4.00%	4.41%
57	\$19,895	\$0					\$19,895	\$841	0.42%	4.00%	4.42%
58	\$20,492	\$0					\$20,492	\$819	0.43%	4.00%	4.43%
59	\$21,107	\$0					\$21,107	\$798	0.45%	4.00%	4.45%
60	\$21,740	\$0	\$371,171	\$214,454	Harvest 280 MBF @ \$225/MBF with cost of \$130/MBF		\$178,457	\$6,383	3.78%	4.00%	7.78%
TOTAL						20 year analysis	\$387,470	\$150,841	0.41%	4.00%	4.41%
						60 year analysis	\$1,429,289	\$250,280	0.50%	4.00%	4.50%



Land Acquisition Financial Appraisal

Land Information

Project Name: **Goguen Land Exchange**
 Land Office:
 Date: 12/2/08
 Preparer: ECONorthwest
 Parcel name: **Highway 93 Parcel**
 County: **Flathead County**
 Township, Range, Section: **T30N, R22W, Sec 5, Tract 2B**
 Acres: **30+/-**
 Appraised Value: **\$510,000**
 Annual Income: **\$1,800**
 Annual Expenses:
 Appreciation Rate: **4.00%**
 Discount Rate: **5.40%**
 CPI Inflation: **3.00%**

Time	Cash Flow				Activities	Value and Income		Cash Flow Analysis		Equity Analysis	
Years (t)	Operating Income	Operating Expense	Other Income	Other Expense	Description of Activity	Asset Value	Net Income	NPV	Income Return	Capital Return	Total Return (ROA)
0	\$0	\$0				\$510,000	\$0	\$0	0.00%	0.00%	0.00%
1	\$1,854	\$0			Annual agricultural lease (based on 25% crop-share of 24 acres of wild hay with a yield of 2 tons/acre at \$150/ton)		\$1,854	\$1,754	0.36%	4.00%	4.36%
2	\$1,910	\$0				\$1,910	\$1,709	0.37%	4.00%	4.37%	
3	\$1,967	\$0				\$1,967	\$1,665	0.39%	4.00%	4.39%	
4	\$2,026	\$0				\$2,026	\$1,623	0.40%	4.00%	4.40%	
5	\$2,087	\$0				\$2,087	\$1,581	0.41%	4.00%	4.41%	
6	\$2,149	\$0				\$2,149	\$1,540	0.42%	4.00%	4.42%	
7	\$2,214	\$0				\$2,214	\$1,501	0.43%	4.00%	4.43%	
8	\$2,280	\$0				\$2,280	\$1,463	0.45%	4.00%	4.45%	
9	\$2,349	\$0				\$2,349	\$1,425	0.46%	4.00%	4.46%	
10	\$2,419	\$0				\$2,419	\$1,389	0.47%	4.00%	4.47%	
11	\$2,492	\$0				\$2,492	\$1,353	0.49%	4.00%	4.49%	
12	\$2,566	\$0				\$2,566	\$1,318	0.50%	4.00%	4.50%	
13	\$2,643	\$0				\$2,643	\$1,285	0.52%	4.00%	4.52%	
14	\$2,723	\$0				\$2,723	\$1,252	0.53%	4.00%	4.53%	
15	\$2,804	\$0				\$2,804	\$1,220	0.55%	4.00%	4.55%	
16	\$2,888	\$0				\$2,888	\$1,188	0.57%	4.00%	4.57%	
17	\$2,975	\$0				\$2,975	\$1,158	0.58%	4.00%	4.58%	
18	\$3,064	\$0				\$3,064	\$1,128	0.60%	4.00%	4.60%	
19	\$3,156	\$0				\$3,156	\$1,099	0.62%	4.00%	4.62%	
20	\$3,251	\$0	\$12,191	\$7,044	Harvest 30MBF @ \$225/MBF with cost of \$130/MBF	\$8,398	\$2,767	1.65%	4.00%	5.65%	
21	\$3,349	\$0				\$3,349	\$1,044	0.66%	4.00%	4.66%	
22	\$3,449	\$0				\$3,449	\$1,017	0.68%	4.00%	4.68%	
23	\$3,552	\$0				\$3,552	\$991	0.70%	4.00%	4.70%	
24	\$3,659	\$0				\$3,659	\$966	0.72%	4.00%	4.72%	
25	\$3,769	\$0				\$3,769	\$941	0.74%	4.00%	4.74%	
26	\$3,882	\$0				\$3,882	\$917	0.76%	4.00%	4.76%	
27	\$3,998	\$0				\$3,998	\$893	0.78%	4.00%	4.78%	
28	\$4,118	\$0				\$4,118	\$870	0.81%	4.00%	4.81%	
29	\$4,242	\$0				\$4,242	\$848	0.83%	4.00%	4.83%	
30	\$4,369	\$0				\$4,369	\$826	0.86%	4.00%	4.86%	
31	\$4,500	\$0				\$4,500	\$805	0.88%	4.00%	4.88%	
32	\$4,635	\$0				\$4,635	\$784	0.91%	4.00%	4.91%	
33	\$4,774	\$0				\$4,774	\$764	0.94%	4.00%	4.94%	
34	\$4,917	\$0				\$4,917	\$745	0.96%	4.00%	4.96%	
35	\$5,065	\$0				\$5,065	\$726	0.99%	4.00%	4.99%	
36	\$5,217	\$0				\$5,217	\$707	1.02%	4.00%	5.02%	
37	\$5,373	\$0				\$5,373	\$689	1.05%	4.00%	5.05%	
38	\$5,535	\$0				\$5,535	\$671	1.09%	4.00%	5.09%	
39	\$5,701	\$0				\$5,701	\$654	1.12%	4.00%	5.12%	
40	\$5,872	\$0				\$5,872	\$637	1.15%	4.00%	5.15%	
41	\$6,048	\$0				\$6,048	\$621	1.19%	4.00%	5.19%	
42	\$6,229	\$0				\$6,229	\$605	1.22%	4.00%	5.22%	
43	\$6,416	\$0				\$6,416	\$590	1.26%	4.00%	5.26%	
44	\$6,609	\$0				\$6,609	\$575	1.30%	4.00%	5.30%	
45	\$6,807	\$0				\$6,807	\$560	1.33%	4.00%	5.33%	
46	\$7,011	\$0				\$7,011	\$545	1.37%	4.00%	5.37%	
47	\$7,221	\$0				\$7,221	\$532	1.42%	4.00%	5.42%	
48	\$7,438	\$0				\$7,438	\$518	1.46%	4.00%	5.46%	
49	\$7,661	\$0				\$7,661	\$505	1.50%	4.00%	5.50%	
50	\$7,891	\$0				\$7,891	\$492	1.55%	4.00%	5.55%	
51	\$8,128	\$0				\$8,128	\$479	1.59%	4.00%	5.59%	
52	\$8,372	\$0				\$8,372	\$467	1.64%	4.00%	5.64%	
53	\$8,623	\$0				\$8,623	\$455	1.69%	4.00%	5.69%	
54	\$8,881	\$0				\$8,881	\$443	1.74%	4.00%	5.74%	
55	\$9,148	\$0				\$9,148	\$432	1.79%	4.00%	5.79%	
56	\$9,422	\$0				\$9,422	\$421	1.85%	4.00%	5.85%	
57	\$9,705	\$0				\$9,705	\$410	1.90%	4.00%	5.90%	
58	\$9,996	\$0				\$9,996	\$400	1.96%	4.00%	5.96%	
59	\$10,296	\$0				\$10,296	\$389	2.02%	4.00%	6.02%	
60	\$10,605	\$0				\$10,605	\$379	2.08%	4.00%	6.08%	
TOTAL						20 year analysis	\$54,965	\$29,417	0.54%	4.00%	4.54%
						60 year analysis	\$307,448	\$55,728	1.00%	4.00%	5.00%



Land Acquisition Financial Appraisal

Land Information

Project Name: **Goguen Land Exchange**
 Land Office:
 Date: 12/2/08
 Preparer: ECONorthwest
 Parcel name: **Commercial Parcel**
 County: **Flathead County**
 Township, Range, Section: **140 Lupfer Avenue, Whitefish, MT**
 Acres: **0.043**
 Appraised Value: **\$360,000**
 Annual Income: **\$30,000**
 Annual Expense: **\$0**
 Appreciation Rate: **4.00%**
 Discount Rate: **5.40%**
 CPI Inflation: **3.00%**

Time	Cash Flow				Activities	Value and Income		Cash Flow Analysis		Equity Analysis			
Years (t)	Operating Income	Operating Expense	Other Income	Other Expense	Description of Activity	Asset Value	Net Income	NPV	Income Return	Capital Return	Total Return (ROA)		
0	\$0	\$0			Commercial lease @ \$30,000/year net revenue, guaranteed for 10 years	\$360,000	\$0	\$0	0.00%	0.00%	0.00%		
1	\$30,000	\$0				\$30,000	\$30,000	\$28,380	8.33%	4.00%	12.33%		
2	\$30,000	\$0				\$30,000	\$30,000	\$26,847	8.33%	4.00%	12.33%		
3	\$30,000	\$0				\$30,000	\$30,000	\$25,398	8.33%	4.00%	12.33%		
4	\$30,000	\$0				\$30,000	\$30,000	\$24,026	8.33%	4.00%	12.33%		
5	\$30,000	\$0				\$30,000	\$30,000	\$22,729	8.33%	4.00%	12.33%		
6	\$30,000	\$0				\$30,000	\$30,000	\$21,501	8.33%	4.00%	12.33%		
7	\$30,000	\$0				\$30,000	\$30,000	\$20,340	8.33%	4.00%	12.33%		
8	\$30,000	\$0				\$30,000	\$30,000	\$19,242	8.33%	4.00%	12.33%		
9	\$30,000	\$0				\$30,000	\$30,000	\$18,203	8.33%	4.00%	12.33%		
10	\$30,000	\$0			\$30,000	\$30,000	\$17,220	8.33%	4.00%	12.33%			
11	\$0	\$0	\$360,000		Sale of the property in year 11 for market value	\$360,000	\$360,000	\$195,481	100.00%	4.00%	104.00%		
12	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
13	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
14	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
15	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
16	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
17	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
18	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
19	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
20	\$0	\$0				\$0	\$0	\$0	0.00%	4.00%	4.00%		
60 Year Analysis	21						\$0	\$0	0.00%	4.00%	4.00%		
	22					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	23					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	24					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	25					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	26					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	27					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	28					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	29					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	30					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	31					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	32					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	33					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	34					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	35					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	36					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	37					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	38					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	39					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	40					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	41					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	42					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	43					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	44					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	45					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	46					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	47					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	48					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	49					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	50					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	51					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	52					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	53					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	54					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	55					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	56					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	57					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	58					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	59					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	60					\$0	\$0	\$0	0.00%	4.00%	4.00%		
	TOTAL						20 year analysis	\$660,000	\$419,368	9.17%	4.00%	13.17%	
							60 year analysis	\$660,000	\$419,368	3.06%	4.00%	7.06%	



Land Acquisition Financial Appraisal

Land Information

Project Name: **Goguen Land Exchange**
 Land Office:
 Date: 12/2/08
 Preparer: ECONorthwest
 Parcel name: **State Parcel**
 County: **Flathead County**
 Township, Range, Section: **T31N, R22W, Sec 28, 29**
 Acres: **440 +/-**
 Appraised Value: **\$5,550,000**
 Annual Income: **\$2,200**
 Annual Expenses:
 Appreciation Rate: **4.00%**
 Discount Rate: **5.40%**
 CPI Inflation: **3.00%**

Time	Cash Flow				Activities	Value and Income		Cash Flow Analysis		Equity Analysis	
Years (t)	Operating Income	Operating Expense	Other Income	Other Expense	Description of Activity	Asset Value	Net Income	NPV	Income Return	Capital Return	Total Return (ROA)
0	\$0	\$0				\$5,550,000	\$0	\$0	0.00%	0.00%	0.00%
1	\$2,266	\$0			Annual homesite lease (2 leases @ \$1,100/year)	\$2,266	\$2,266	\$2,144	0.04%	4.00%	4.04%
2	\$2,334	\$0				\$2,334	\$2,334	\$2,089	0.04%	4.00%	4.04%
3	\$2,404	\$0				\$2,404	\$2,404	\$2,035	0.04%	4.00%	4.04%
4	\$2,476	\$0				\$2,476	\$2,476	\$1,983	0.04%	4.00%	4.04%
5	\$2,550	\$0				\$2,550	\$2,550	\$1,932	0.05%	4.00%	4.05%
6	\$2,627	\$0				\$2,627	\$2,627	\$1,883	0.05%	4.00%	4.05%
7	\$2,706	\$0				\$2,706	\$2,706	\$1,835	0.05%	4.00%	4.05%
8	\$2,787	\$0				\$2,787	\$2,787	\$1,788	0.05%	4.00%	4.05%
9	\$2,871	\$0				\$2,871	\$2,871	\$1,742	0.05%	4.00%	4.05%
10	\$2,957	\$0	\$155,726	\$89,975	Harvest 515 MBF @ \$225/MBF with cost of \$130/MBF	\$68,708	\$39,438	\$39,438	1.24%	4.00%	5.24%
11	\$3,045	\$0				\$3,045	\$3,045	\$1,654	0.05%	4.00%	4.05%
12	\$3,137	\$0				\$3,137	\$3,137	\$1,611	0.06%	4.00%	4.06%
13	\$3,231	\$0				\$3,231	\$3,231	\$1,570	0.06%	4.00%	4.06%
14	\$3,328	\$0				\$3,328	\$3,328	\$1,530	0.06%	4.00%	4.06%
15	\$3,428	\$0				\$3,428	\$3,428	\$1,491	0.06%	4.00%	4.06%
16	\$3,530	\$0				\$3,530	\$3,530	\$1,452	0.06%	4.00%	4.06%
17	\$3,636	\$0				\$3,636	\$3,636	\$1,415	0.07%	4.00%	4.07%
18	\$3,745	\$0				\$3,745	\$3,745	\$1,379	0.07%	4.00%	4.07%
19	\$3,858	\$0				\$3,858	\$3,858	\$1,344	0.07%	4.00%	4.07%
20	\$3,973	\$0				\$3,973	\$3,973	\$1,309	0.07%	4.00%	4.07%
21	\$4,093	\$0				\$4,093	\$4,093	\$1,276	0.07%	4.00%	4.07%
22	\$4,215	\$0				\$4,215	\$4,215	\$1,243	0.08%	4.00%	4.08%
23	\$4,342	\$0				\$4,342	\$4,342	\$1,211	0.08%	4.00%	4.08%
24	\$4,472	\$0				\$4,472	\$4,472	\$1,180	0.08%	4.00%	4.08%
25	\$4,606	\$0				\$4,606	\$4,606	\$1,150	0.08%	4.00%	4.08%
26	\$4,745	\$0				\$4,745	\$4,745	\$1,120	0.09%	4.00%	4.09%
27	\$4,887	\$0				\$4,887	\$4,887	\$1,092	0.09%	4.00%	4.09%
28	\$5,033	\$0				\$5,033	\$5,033	\$1,064	0.09%	4.00%	4.09%
29	\$5,184	\$0				\$5,184	\$5,184	\$1,036	0.09%	4.00%	4.09%
30	\$5,340	\$0				\$5,340	\$5,340	\$1,010	0.10%	4.00%	4.10%
31	\$5,500	\$0	\$504,016	\$291,209	Harvest 896 MBF @ \$225/MBF with cost of \$130/MBF	\$218,307	\$39,056	\$39,056	3.93%	4.00%	7.93%
32	\$5,665	\$0				\$5,665	\$5,665	\$959	0.10%	4.00%	4.10%
33	\$5,835	\$0				\$5,835	\$5,835	\$934	0.11%	4.00%	4.11%
34	\$6,010	\$0				\$6,010	\$6,010	\$910	0.11%	4.00%	4.11%
35	\$6,190	\$0				\$6,190	\$6,190	\$887	0.11%	4.00%	4.11%
36	\$6,376	\$0				\$6,376	\$6,376	\$864	0.11%	4.00%	4.11%
37	\$6,567	\$0				\$6,567	\$6,567	\$842	0.12%	4.00%	4.12%
38	\$6,765	\$0				\$6,765	\$6,765	\$821	0.12%	4.00%	4.12%
39	\$6,967	\$0				\$6,967	\$6,967	\$800	0.13%	4.00%	4.13%
40	\$7,176	\$0				\$7,176	\$7,176	\$779	0.13%	4.00%	4.13%
41	\$7,392	\$0				\$7,392	\$7,392	\$759	0.13%	4.00%	4.13%
42	\$7,614	\$0				\$7,614	\$7,614	\$740	0.14%	4.00%	4.14%
43	\$7,842	\$0				\$7,842	\$7,842	\$721	0.14%	4.00%	4.14%
44	\$8,077	\$0				\$8,077	\$8,077	\$702	0.15%	4.00%	4.15%
45	\$8,320	\$0				\$8,320	\$8,320	\$684	0.15%	4.00%	4.15%
46	\$8,569	\$0				\$8,569	\$8,569	\$667	0.15%	4.00%	4.15%
47	\$8,826	\$0				\$8,826	\$8,826	\$650	0.16%	4.00%	4.16%
48	\$9,091	\$0				\$9,091	\$9,091	\$633	0.16%	4.00%	4.16%
49	\$9,364	\$0				\$9,364	\$9,364	\$617	0.17%	4.00%	4.17%
50	\$9,645	\$0				\$9,645	\$9,645	\$601	0.17%	4.00%	4.17%
51	\$9,934	\$0				\$9,934	\$9,934	\$586	0.18%	4.00%	4.18%
52	\$10,232	\$0	\$1,569,674	\$906,923	Harvest 1.5 MMBF @ \$225/MBF with cost of \$130/MBF	\$672,983	\$37,527	\$37,527	12.13%	4.00%	16.13%
53	\$10,539	\$0				\$10,539	\$10,539	\$556	0.19%	4.00%	4.19%
54	\$10,855	\$0				\$10,855	\$10,855	\$542	0.20%	4.00%	4.20%
55	\$11,181	\$0				\$11,181	\$11,181	\$528	0.20%	4.00%	4.20%
56	\$11,516	\$0				\$11,516	\$11,516	\$514	0.21%	4.00%	4.21%
57	\$11,862	\$0				\$11,862	\$11,862	\$501	0.21%	4.00%	4.21%
58	\$12,217	\$0				\$12,217	\$12,217	\$488	0.22%	4.00%	4.22%
59	\$12,584	\$0				\$12,584	\$12,584	\$476	0.23%	4.00%	4.23%
60	\$12,962	\$0				\$12,962	\$12,962	\$464	0.23%	4.00%	4.23%
TOTAL						20 year analysis	\$126,639	\$71,622	0.11%	4.00%	4.11%
						60 year analysis	\$1,310,788	\$178,809	0.39%	4.00%	4.39%

APPENDIX D

Individuals Contacted and List of Preparers

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APPENDIX E

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